NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS

Congressional Information Service, Inc.
Washington, D.C.

Calendar No. 92

100th Congress
1st Session

SENATE

Report
100-40

FY
CONCURRENT RESOLUTION ON THE BUDGET
1988

REPORT

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 48

together with

ADDITIONAL AND MINORITY VIEWS

Establishing the congressional budget for the U.S. Government for the fiscal year 1988 and setting forth the appropriate budgetary levels for the fiscal years 1989, 1990, and 1991

April 15, 1987.—Ordered to be printed

Filed, under authority of the order of the Senate of April 10 (legislative day, March 30), 1987

U.S. GOVERNMENT PRINTING OFFICE
70-422
WASHINGTON : 1987

S253-1

COMMITTEE ON THE BUDGET

LAWTON CHILES, Florida, *Chairman*

ERNEST F. HOLLINGS, South Carolina
J. BENNETT JOHNSTON, Louisiana
JIM SASSER, Tennessee
DONALD W. RIEGLE, Jr., Michigan
J. JAMES EXON, Nebraska
FRANK R. LAUTENBERG, New Jersey
PAUL SIMON, Illinois
TERRY SANFORD, North Carolina
TIMOTHY E. WIRTH, Colorado
WYCHE FOWLER, Jr., Georgia
KENT CONRAD, North Dakota
CHRISTOPHER J. DODD, Connecticut

PETE V. DOMENICI, New Mexico
WILLIAM L. ARMSTRONG, Colorado
NANCY LANDON KASSEBAUM, Kansas
RUDY BOSCHWITZ, Minnesota
STEVEN D. SYMMS, Idaho
CHARLES E. GRASSLEY, Iowa
ROBERT W. KASTEN, Jr., Wisconsin
DAN QUAYLE, Indiana
JOHN C. DANFORTH, Missouri
DON NICKLES, Oklahoma
WARREN B. RUDMAN, New Hampshire

Richard N. Brandon, *Staff Director*
G. William Hoagland, *Minority Staff Director*
W. Thomas Foxwell, *Director of Publications*

CONTENTS

Page

SENATE CONCURRENT RESOLUTION 48 VII

Chapter I. HIGHLIGHTS 3

Chapter II. BUDGET OVERVIEW 7

- Budget Trends 7
- Economic Power Budget 15
- Enforcement 17
- Economic Assumptions and Outlook 17

Chapter III. SUMMARY OF COMMITTEE RECOMMENDATIONS 23

- Revenues 23
- Tax Expenditures 26
- Spending and Credit Recommendations 41
- Functions:
  - (050) National Defense 44
  - (150) International Affairs 56
  - (250) General Science, Space, and Technology 59
  - (270) Energy 62
  - (300) Natural Resources and Environment 65
  - (350) Agriculture 69
  - (370) Commerce and Housing Credit 72
  - (400) Transportation 76
  - (450) Community and Regional Development 79
  - (500) Education, Training, Employment, and Social Services 82
  - (550) Health 85
  - (570) Medicare 88
  - (600) Income Security 91
  - (650) Social Security 97
  - (700) Veterans Benefits and Services 99
  - (750) Administration of Justice 102
  - (800) General Government 104
  - (850) General Purpose Fiscal Assistance 107
  - (900) Net Interest 110
  - (920) Allowances 112
  - (950) Undistributed Offsetting Receipts 114
- The Credit Budget 116

Page

Chapter IV. ADDITIONAL ITEMS REPORTED BY THE COMMITTEE WITHOUT RECOMMENDATION 123

The Sequester Budget (S. Con. Res. 49) 124
The President's Budget (S. Con. Res. 50) 181
Senator Holling's Budget (S. Con. Res. 51) 234
Committee's amendment (Conrad) 279

Chapter V. ENFORCEMENT PROCEDURES 281

Reconciliation 281
Spending Allocations 285
The Historical Success of Enforcement Procedures 287
New Enforcement Procedures 288

Chapter VI. SUMMARY TABLES 291

Chapter VII. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS 299

Committee Recommendation by Function 301
Revised Baseline by Function 301
President's Budget Reestimated by CBO by Function 301
1988 Illustrative Sequester by Function 301

Chapter VIII. VIEWS AND ESTIMATES OF SENATE COMMITTEES 305

Budget Committee Letter, Requesting Spending Estimates 306
Agriculture, Nutrition, and Forestry 306
Appropriations 314
Armed Services 356
Banking, Housing, and Urban Affairs 359
Commerce, Science, and Transportation 371
Energy and Natural Resources 378
Environment and Public Works 393
Finance 448
Foreign Relations 453
Governmental Affairs 455
Judiciary 457
Labor and Human Resources 464
Rules and Administration 488
Small Business 506
Veterans' Affairs 518
Select Committee on Indian Affairs 541
Special Committee on Aging 656
Joint Economic Committee 659

ROLLCALL VOTES IN COMMITTEE 669

VIEWS OF COMMITTEE MEMBERS:

Additional views of: Page
- Senator Hollings 682
- Senator Sasser 692
- Senator Riegle 694
- Senator Exon 696
- Senator Lautenberg 697
- Senator Sanford 700
- Senator Conrad 702

Minority views of:
- Senators Domenici, Armstrong, Kassebaum, Boschwitz, Symms, Kasten, Quayle, Nickles, and Rudman 714
- Senator Domenici 721
- Senator Armstrong 724
- Senator Grassley 726
- Senator Kasten 729
- Senator Quayle 732
- Senator Nickles 735
- Senator Rudman 739

NOTE

The Budget Act requires that the receipts and disbursements of the social security (OASDI) trust funds not be included in the President's budget or in the Congressional Budget Resolution. However, the act requires these receipts and disbursements be included for the purposes of calculating the deficit for comparison with the maximum deficit amount. All summary tables in this report display both on-budget and social security spending for aggregate budget authority, outlays, and revenues (when available), as well as for the three functions affected by removing social security from the budget: function 650, social security; function 900, net interest; and function 950, undistributed offsetting receipts. Spending summary tables for each function show total spending, unless indicated otherwise.

In the case of all tables and text in these materials an asterisk (*) means "less than $50 million" in the case of dollar amounts, and "less than one-half percent" in the case of percentages; "NA" means "not available"; details may not add to totals due to rounding; all years indicated are fiscal years *unless* CY is placed before the year to denote calendar years; "BA" means "budget authority"; "O" means "outlays"; "DL" means a "direct loan"; "LG" means a "primary loan guarantee"; and "SLG" means a "secondary loan guarantee."

100TH CONGRESS
1ST SESSION

S. CON. RES. 48

CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal years 1988, 1989, 1990, and 1991.

Resolved by the Senate (the House of Representatives concurring), That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1988 is established and the appropriate budgetary levels for fiscal years 1989, 1990, and 1991 are set forth.

MAXIMUM DEFICIT AMOUNT

SEC. 2. (a) The levels and amounts set forth in this subsection are set forth for purposes of determining, in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974, as added by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, as reported, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution, as reported:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $919,000,000,000.
Fiscal year 1989: $985,500,000,000.
Fiscal year 1990: $1,074,500,000,000.
Fiscal year 1991: $1,171,400,000,000.

(2) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $1,052,700,000,000.
Fiscal year 1989: $1,092,300,000,000.
Fiscal year 1990: $1,132,800,000,000.
Fiscal year 1991: $1,171,300,000,000.

(3) The amounts of the deficits are as follows:

Fiscal year 1988: $133,700,000,000.
Fiscal year 1989: $106,800,000,000.
Fiscal year 1990: $58,300,000,000.
Fiscal year 1991: −$100,000,000.

(b) The levels and amounts set forth in this subsection are set forth for informational purposes only; are not set forth for purposes of any determination to be made under title III or IV of such Act; are based upon the same economic and technical assumptions upon which the budget submitted by the President for fiscal year 1988 pursuant to section 1105 of title 31, United States Code, is based; and as set forth in this concurrent resolution, as reported, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution, as reported:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $930,200,000,000.
Fiscal year 1989: $992,500,000,000.
Fiscal year 1990: $1,064,100,000,000.
Fiscal year 1991: $1,147,600,000,000.

(2) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $1,038,100,000,000.
Fiscal year 1989: $1,074,000,000,000.
Fiscal year 1990: $1,099,700,000,000.
Fiscal year 1991: $1,126,400,000,000.

(3) The amounts of the deficits are as follows:

Fiscal year 1988: $107,900,000,000.
Fiscal year 1989: $81,500,000,000.

Fiscal year 1990: $35,600,000,000.

Fiscal year 1991: —$21,200,000,000.

RECOMMENDED LEVELS AND AMOUNTS

SEC. 3. (a) The levels and amounts set forth in subsections (b) and (c) of this section and section 4 are set forth pursuant to subsections (a) and (b) of section 301 of the Congressional Budget and Impoundment Control Act of 1974, and are set forth for purposes of any determination to be made under title III or IV of such Act.

(b) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $678,400,000,000.

Fiscal year 1989: $723,900,000,000.

Fiscal year 1990: $787,600,000,000.

Fiscal year 1991: $860,500,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1988: $18,500,000,000.

Fiscal year 1989: $23,500,000,000.

Fiscal year 1990: $23,500,000,000.

Fiscal year 1991: $32,500,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1988: $59,700,000,000.
Fiscal year 1989: $63,900,000,000.
Fiscal year 1990: $68,900,000,000.
Fiscal year 1991: $74,300,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1988: $917,100,000,000.
Fiscal year 1989: $958,800,000,000.
Fiscal year 1990: $983,100,000,000.
Fiscal year 1991: $1,031,800,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $848,000,000,000.
Fiscal year 1989: $876,500,000,000.
Fiscal year 1990: $903,600,000,000.
Fiscal year 1991: $928,800,000,000.

(4) The amounts of the deficits in the budget which are appropriate in the light of economic conditions and all other relevant factors are as follows:

Fiscal year 1988: $169,600,000,000.
Fiscal year 1989: $152,600,000,000.
Fiscal year 1990: $116,000,000,000.

Fiscal year 1991: $68,300,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1988: $2,585,800,000,000.

Fiscal year 1989: $2,805,500,000,000.

Fiscal year 1990: $2,986,700,000,000.

Fiscal year 1991: $3,120,200,000,000.

and the amounts by which the statutory limits on such debt should be accordingly increased are as follows:

Fiscal year 1988: $232,000,000,000.

Fiscal year 1989: $219,700,000,000.

Fiscal year 1990: $181,200,000,000.

Fiscal year 1991: $133,500,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990, are as follows:

Fiscal year 1988:

(A) New direct loan obligations, $34,000,000,000.

(B) New primary loan guarantee commitments, $156,500,000,000.

(C) New secondary loan guarantee commitments, $100,600,000,000.

Fiscal year 1989:

(A) New direct loan obligations, $32,300,000,000.

(B) New primary loan guarantee commitments, $150,400,000,000.

(C) New secondary loan guarantee commitments, $97,900,000,000.

Fiscal year 1990:

(A) New direct loan obligations, $31,000,000,000.

(B) New primary loan guarantee commitments, $158,100,000,000.

(C) New secondary loan guarantee commitments, $94,600,000,000.

Fiscal year 1991:

(A) New direct loan obligations, $30,100,000,000.

(B) New primary loan guarantee commitments, $165,400,000,000.

(C) New secondary loan guarantee commitments, $91,000,000,000.

(c) The Congress hereby determines and declares that the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1988 through 1991 for each major functional category are:

(1) National Defense (050):

Fiscal year 1988:

(A) New budget authority, $289,000,000,000.

(B) Outlays, $283,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $294,800,000,000.

(B) Outlays, $288,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $297,900,000,000.

(B) Outlays, $292,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $301,100,000,000.

(B) Outlays, $296,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1988:

(A) New budget authority, $15,800,000,000.

(B) Outlays, $15,800,000,000.

(C) New direct loan obligations, $6,000,000,000.

(D) New primary loan guarantee commitments, $9,000,000,000.

(E) New secondary loan guarantee commitments, $300,000,000.

Fiscal year 1989:

(A) New budget authority, $20,300,000,000.

(B) Outlays, $14,300,000,000.

(C) New direct loan obligations, $5,800,000,000.

(D) New primary loan guarantee commitments, $9,400,000,000.

(E) New secondary loan guarantee commitments, $300,000,000.

Fiscal year 1990:

(A) New budget authority, $16,000,000,000.

(B) Outlays, $13,300,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $9,800,000,000.

(E) New secondary loan guarantee commitments, $300,000,000.

Fiscal year 1991:

(A) New budget authority, $15,300,000,000.

(B) Outlays, $11,300,000,000.

(C) New direct loan obligations, $5,700,000,000.

(D) New primary loan guarantee commitments, $10,200,000,000.

(E) New secondary loan guarantee commitments, $300,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1988:

(A) New budget authority, $11,500,000,000.

(B) Outlays, $11,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $13,700,000,000.

(B) Outlays, $13,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $15,200,000,000.

(B) Outlays, $14,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $15,800,000,000.

(B) Outlays, $15,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1988:

(A) New budget authority, $4,800,000,000.

(B) Outlays, $4,800,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $7,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $4,200,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,000,000,000.

(B) Outlays, $4,300,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $4,600,000,000.

(B) Outlays, $3,900,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1988:

(A) New budget authority, $16,000,000,000.

(B) Outlays, $15,100,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $16,500,000,000.

(B) Outlays, $16,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $16,900,000,000.

(B) Outlays, $17,300,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $16,800,000,000.

(B) Outlays, $17,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1988:

(A) New budget authority, $29,200,000,000.

(B) Outlays, $28,400,000,000.

(C) New direct loan obligations, $17,500,000,000.

(D) New primary loan guarantee commitments, $8,500,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $30,100,000,000.

(B) Outlays, $26,200,000,000.

(C) New direct loan obligations, $16,200,000,000.

(D) New primary loan guarantee commitments, $9,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $25,500,000,000.

(B) Outlays, $22,300,000,000.

(C) New direct loan obligations, $15,000,000,000.

(D) New primary loan guarantee commitments, $9,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $22,200,000,000.

(B) Outlays, $20,300,000,000.

(C) New direct loan obligations, $14,200,000,000.

(D) New primary loan guarantee commitments, $9,000,000,000.

(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1988:

(A) New budget authority, $12,200,000,000.

(B) Outlays, $7,500,000,000.

(C) New direct loan obligations, $4,000,000,000.

(D) New primary loan guarantee commitments, $91,600,000,000.

(E) New secondary loan guarantee commitments, $100,300,000,000.

Fiscal year 1989:

(A) New budget authority, $12,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $4,100,000,000.

(D) New primary loan guarantee commitments, $93,900,000,000.

(E) New secondary loan guarantee commitments, $97,600,000,000.

Fiscal year 1990:

(A) New budget authority, $15,400,000,000.

(B) Outlays, $6,800,000,000.

(C) New direct loan obligations, $4,100,000,000.

(D) New primary loan guarantee commitments, $98,800,000,000.

(E) New secondary loan guarantee commitments, $94,300,000,000.

Fiscal year 1991:

(A) New budget authority, $12,800,000,000.

(B) Outlays, $4,800,000,000.

(C) New direct loan obligations, $4,100,000,000.

(D) New primary loan guarantee commitments, $103,400,000,000.

(E) New secondary loan guarantee commitments, $90,700,000,000.

(8) Transportation (400):

Fiscal year 1988:

(A) New budget authority, $29,100,000,000.

(B) Outlays, $28,100,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $29,300,000,000.

(B) Outlays, $27,700,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $30,000,000,000.

(B) Outlays, $27,400,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $30,700,000,000.

(B) Outlays, $27,300,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1988:

(A) New budget authority, $6,900,000,000.

(B) Outlays, $6,700,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $6,200,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $6,000,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $6,500,000,000.

(B) Outlays, $5,900,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1988:

(A) New budget authority, $35,100,000,000.

(B) Outlays, $32,800,000,000.

(C) New direct loan obligations, $1,700,000,000.

(D) New primary loan guarantee commitments, $9,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $36,000,000,000.

(B) Outlays, $35,200,000,000.

(C) New direct loan obligations, $1,700,000,000.

(D) New primary loan guarantee commitments, $9,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $37,200,000,000.

(B) Outlays, $36,400,000,000.

(C) New direct loan obligations, $1,800,000,000.

(D) New primary loan guarantee commitments, $9,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $38,800,000,000.

(B) Outlays, $37,800,000,000.

(C) New direct loan obligations, $1,800,000,000.

(D) New primary loan guarantee commitments, $9,200,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1988:

(A) New budget authority, $44,600,000,000.

(B) Outlays, $44,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $47,900,000,000.

(B) Outlays, $47,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $51,700,000,000.

(B) Outlays, $51,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $55,900,000,000.

(B) Outlays, $55,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1988:

(A) New budget authority, $93,300,000,000.

(B) Outlays, $79,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $102,700,000,000.

(B) Outlays, $88,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $113,300,000,000.

(B) Outlays, $99,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $123,900,000,000.

(B) Outlays, $111,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1988:

(A) New budget authority, $168,000,000,000.

(B) Outlays, $129,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $175,500,000,000.

(B) Outlays, $137,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $181,600,000,000.

(B) Outlays, $142,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $215,300,000,000.

(B) Outlays, $151,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1988:

(A) New budget authority, $4,700,000,000.

(B) Outlays, $4,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $5,300,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1988:

(A) New budget authority, $27,900,000,000.

(B) Outlays, $27,300,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $30,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $28,000,000,000.

(B) Outlays, $27,400,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $28,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $27,900,000,000.

(B) Outlays, $27,600,000,000.

(C) New direct loan obligations, $900,000,000.

(D) New primary loan guarantee commitments, $30,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $28,200,000,000.

(B) Outlays, $27,900,000,000.

(C) New direct loan obligations, $800,000,000.

(D) New primary loan guarantee commitments, $33,000,000,000.

(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1988:

(A) New budget authority, $9,600,000,000.

(B) Outlays, $9,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $9,600,000,000.

(B) Outlays, $9,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $9,600,000,000.

(B) Outlays, $9,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $9,600,000,000.

(B) Outlays, $9,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1988:

(A) New budget authority, $7,600,000,000.

(B) Outlays, $7,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $7,600,000,000.

(B) Outlays, $7,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $7,800,000,000.

(B) Outlays, $7,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $7,800,000,000.

(B) Outlays, $7,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(18) General Purpose Fiscal Assistance (850):

Fiscal year 1988:

(A) New budget authority, $1,600,000,000.

(B) Outlays, $1,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $1,600,000,000.

(B) Outlays, $1,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $1,600,000,000.

(B) Outlays, $1,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $1,700,000,000.

(B) Outlays, $1,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(19) Net Interest (900):

Fiscal year 1988:

(A) New budget authority, $145,400,000,000.

(B) Outlays, $145,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $150,900,000,000.

(B) Outlays, $150,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $154,400,000,000.

(B) Outlays, $154,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $155,800,000,000.

(B) Outlays, $155,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(20) Allowances (920):

Fiscal year 1988:

(A) New budget authority, −$300,000,000.

(B) Outlays, −$300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $0.

(B) Outlays, $100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $400,000,000.

(B) Outlays, $500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $800,000,000.

(B) Outlays, $1,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(21) Undistributed Offsetting Receipts (950):

Fiscal year 1988:

(A) New budget authority, −$34,900,000,000.

(B) Outlays, −$34,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, −$35,600,000,000.

(B) Outlays, −$35,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, −$36,500,000,000.

(B) Outlays, −$36,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, −$37,200,000,000.

(B) Outlays, −$37,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 4. (a) Not later than May 15, 1987, the committees named in subsections (b) through (u) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b) The Senate Committee on Agriculture, Nutrition, and Forestry shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $7,200,000,000 in contributions, $2,121,000,000 in budget authority and $2,121,000,000 in outlays in fiscal year 1988, $0 in contributions, $2,115,000,000 in budget authority and $2,115,000,000 in outlays in fiscal year 1989, $0 in contributions, $3,316,000,000 in budget authority and $3,316,000,000 in outlays in fiscal year 1990, and $0 in contributions, $2,613,000,000 in budget authority and $2,613,000,000 in outlays in fiscal year 1991.

(c) The Senate Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $770,000,000 in outlays in fiscal year 1988, $0 in budget authority and $2,366,000,000 in outlays in fiscal year 1989, $0 in budget authority and $4,007,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $6,031,000,000 in outlays in fiscal year 1991.

(d) The Senate Committee on Banking, Housing, and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(e) The Senate Committee on Commerce, Science, and Transportation shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $930,000,000 in budget authority and $912,000,000 in outlays in fiscal year 1988, $330,000,000 in budget authority and $327,000,000 in outlays in fiscal year 1989, $330,000,000 in budget authority and $329,000,000 in outlays in fiscal year 1990, and $329,000,000 in budget authority and $328,000,000 in outlays in fiscal year 1991.

(f) The Senate Committee on Energy and Natural Resources shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $375,000,000 in budget authority and $342,000,000 in outlays in fiscal year 1988, $493,000,000 in budget authority and $792,000,000 in outlays in fiscal year 1989, $493,000,000 in budget authority and $777,000,000 in outlays in fiscal year 1990, and $521,000,000 in budget authority and $788,000,000 in outlays in fiscal year 1991.

(g) The Senate Committee on Environment and Public Works shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $190,000,000 in budget authority and $190,000,000 in outlays in fiscal year 1988, $195,000,000 in budget authority and $195,000,000 in outlays in fiscal year 1989, $198,000,000 in budget authority and $198,000,000 in outlays in fiscal year 1990, and $199,000,000 in budget authority and $199,000,000 in outlays in fiscal year 1991.

(h)(1) The Senate Committee on Finance shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $4,241,000,000 in outlays in fiscal year 1988, $0 in budget authority and $4,810,000,000 in outlays in fiscal year 1989, $0 in budget authority and $5,958,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $7,167,000,000 in outlays in fiscal year 1991.

(2) The Senate Committee on Finance shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $11,300,000,000 in fiscal year 1988,

$23,500,000,000 in fiscal year 1989, $23,500,000,000 in fiscal year 1990, and $32,500,000,000 in fiscal year 1991.

(i) The Senate Committee on Governmental Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $1,918,000,000 in outlays in fiscal year 1988, $0 in budget authority and $4,402,000,000 in outlays in fiscal year 1989, $0 in budget authority and $6,834,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $9,770,000,000 in outlays in fiscal year 1991.

(j) The Senate Committee on Labor and Human Resources shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows:

$80,000,000 in budget authority and $80,000,000 in outlays in fiscal year 1988, $110,000,000 in budget authority and $110,000,000 in outlays in fiscal year 1989, $110,000,000 in budget authority and $110,000,000 in outlays in fiscal year 1990, and $110,000,000 in budget authority and $110,000,000 in outlays in fiscal year 1991.

(k) The Senate Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $56,000,000 in budget authority and $56,000,000 in outlays in fiscal year 1988, $32,000,000 in budget authority and $32,000,000 in outlays in fiscal year 1989, $0 in budget authority and $13,000,000 in outlays in fiscal year 1990, and $0 in budget authority and an increase of $2,000,000 in outlays in fiscal year 1991.

HOUSE COMMITTEES

(l) The House Committee on Agriculture shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $7,200,000,000 in contributions, $2,121,000,000 in budget authority and $2,121,000,000 in outlays in fiscal year 1988, $0 in contributions, $2,115,000,000 in budget authority and $2,115,000,000 in outlays in fiscal year 1989, $0 in contributions, $3,316,000,000 in budget authority and $3,316,000,000 in outlays in fiscal year 1990, and $0 in contributions, $2,613,000,000 in budget authority and $2,613,000,000 in outlays in fiscal year 1991.

(m) The House Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $927,000,000 in outlays in fiscal year 1988, $0 in budget authority and $2,540,000,000 in outlays in fiscal year 1989, $0 in budget authority and $4,193,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $6,213,000,000 in outlays in fiscal year 1991.

(n) The House Committee on Banking, Finance and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(o) The House Committee on Education and Labor shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(p) The House Committee on Energy and Commerce shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $1,200,000,000 in budget authority and $4,482,000,000 in outlays in fiscal year 1988, $635,000,000 in budget authority and $4,432,000,000 in outlays in fiscal year 1989, $638,000,000 in budget authority and $5,537,000,000 in outlays in fiscal year 1990, and $638,000,000 in budget authority and $6,637,000,000 in outlays in fiscal year 1991.

(q) The House Committee on Government Operations shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $501,000,000 in outlays in fiscal year 1988, $0 in budget authority and $517,000,000 in outlays in fiscal year 1989, $0 in budget authority and $545,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $566,000,000 in outlays in fiscal year 1991.

(r) The House Committee on Interior and Insular Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $185,000,000 in budget authority and $152,000,000 in outlays in fiscal year 1988, $303,000,000 in budget authority and $602,000,000 in outlays in fiscal year 1989, $295,000,000 in budget authority and $579,000,000 in outlays in fiscal year 1990, and $316,000,000 in budget authority and $583,000,000 in outlays in fiscal year 1991.

(s) The House Committee on Post Office and Civil Service shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment

Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $1,417,000,000 in outlays in fiscal year 1988, $0 in budget authority and $3,885,000,000 in outlays in fiscal year 1989, $0 in budget authority and $6,289,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $9,204,000,000 in outlays in fiscal year 1991.

(t) The House Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $56,000,000 in budget authority and $56,000,000 in outlays in fiscal year 1988, $32,000,000 in budget authority and $32,000,000 in outlays in fiscal year 1989, $0 in budget authority and $13,000,000 in outlays in fiscal year 1990, and $0 in budget authority and an increase of $2,000,000 in outlays in fiscal year 1991.

(u)(1) The House Committee on Ways and Means shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $4,241,000,000 in outlays in fiscal year 1988, $0 in budget authority and $4,810,000,000 in outlays in fiscal year 1989, $0 in budget authority and $5,958,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $7,167,000,000 in outlays in fiscal year 1991.

(2) The House Committee on Ways and Means shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $11,300,000,000 in fiscal year 1988, $23,500,000,000 in fiscal year 1989, $23,500,000,000 in fiscal year 1990, and $32,500,000,000 in fiscal year 1991.

DEFICIT REDUCTION ACCOUNT

SEC. 5. (a) It is the sense of the Congress that, as a procedure appropriate to carry out the purposes of the Congressional Budget and Impoundment Control Act of 1974 (within the meaning of section 301(b)(4) of such Act), the Committee on Finance of the Senate and the Committee on

Ways and Means of the House of Representatives shall, as an integral part of the changes in law reported pursuant to sections 4(h)(2) and 4(u)(2) of this concurrent resolution, report legislation to—

(1) establish a separate account in the Treasury into which revenues resulting from the changes in law reported pursuant to sections 4(h)(2) and 4(u)(2) of this resolution shall be deposited,

(2) ensure that any revenues deposited in such account shall not be available for appropriation,

(3) provide that any such revenues deposited in such account shall be used to retire outstanding debt obligations of the United States Government, and

(4) ensure that the revenue increases resulting from the changes in law reported pursuant to sections 4(h)(2) and 4(u)(2) shall not be effective for any fiscal year in which the allocations made by the Committee on Appropriations of either House pursuant to section 302(b) of the Congressional Budget and Impoundment Control Act of 1974 are exceeded.

(b) Legislation reported pursuant to subsection (a) shall not be considered to be extraneous for purposes of section 20001 of the Consolidated Omnibus Reconciliation Act of 1985 (as amended by section 7006 of the Omnibus Budget Reconciliation Act of 1986).

SALE OF GOVERNMENT ASSETS

SEC. 6. (a) It is the sense of the Congress that—

(1) from time to time the United States Government should sell assets to non-governmental buyers; and

(2) the amounts realized from such sales will not recur on an annual basis and do not reduce the demand for credit.

(b) The amounts to be realized from such sales not previously authorized by law shall not be treated as revenues, receipts, or negative outlays—

(1) for purposes of determining, in accordance with sections 301(i) and 311(a) of the Congressional Budget and Impoundment Control Act of 1974, as added by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded;

(2) for purposes of other points of order under section 311 of the Congressional Budget and Impoundment Control Act of 1974;

(3) for purposes of reconciliation under section 310 of the Congressional Budget and Impoundment Control Act of 1974; or

(4) for purposes of allocations and points of order under section 302 of the Congressional Budget and Impoundment Control Act of 1974.

(c) It is the sense of the Congress that the United States Government should sell assets to non-governmental buyers in the following amounts: $0.

BUDGETARY TREATMENT OF LEGISLATION AUTHORIZING THE PREPAYMENT OF CERTAIN LOANS

SEC. 7. When legislation authorizes the United States Government to waive the prepayment premium on certain Government loans guaranteed by an agency and advanced by the Federal Financing Bank and allows repayment with new Government guaranteed loans—

(1) for purposes of reconciliation under section 310 of the Congressional Budget and Impoundment Control Act of 1974, the contributions from such prepayment shall be scored as revenues and shall not be scored as negative outlays, and

(2) for purposes of allocations and points of order under section 302 of such Act, the contributions from such prepayment shall remain unassigned to committees.

RESERVE FUND FOR THE WELFARE REFORM INITIATIVE

SEC. 8. (a) Of the amounts specified in section 3 of this resolution, budget authority and outlays in amounts not to exceed the amounts specified in subsection (b) for fiscal years

1988, 1989, 1990, and 1991 shall be allocated to the appropriate committees of the House of Representatives and the Senate to provide for the child care and job training initiative when the appropriate committees of the House of Representatives or the Senate have reported legislation that will, if enacted, make funds available for such initiative.

(b)(1)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1988 shall not exceed $150,000,000 of new budget authority and $110,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1988 shall not exceed $600,000,000 of new budget authority and $300,000,000 of outlays.

(2)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1989 shall not exceed $160,000,000 of new budget authority and $160,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1989 shall not exceed $730,000,000 of new budget authority and $670,000,000 of outlays.

(3)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1990 shall not exceed $240,000,000 of new budget authority and $220,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1990 shall not exceed $760,000,000 of new budget authority and $750,000,000 of outlays.

(4)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1991 shall not exceed $300,000,000 of new budget authority and $290,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1991 shall not exceed $990,000,000 of new budget authority and $880,000,000 of outlays.

(c) Upon the reporting of legislation pursuant to subsection (a), revised allocations under section 302(a) of the Congressional Budget and Impoundment Control Act of 1974, altered by amounts not to exceed those in such legislation, shall be deemed to have been reported. Such revised allocations shall be considered for the purposes of such Act as allocations contained in this resolution, and the appropriate committees of the House of Representatives and the Senate shall report revised allocations, pursuant to section 302(b) of such Act to carry out this section.

RESERVE FUND FOR MEDICARE CATASTROPHIC HEALTH INSURANCE INITIATIVE

SEC. 9. (a) Budget authority and outlays in amounts not to exceed the amounts specified in subsection (b) for fiscal years 1988, 1989, 1990, and 1991 shall be allocated to the appropriate committees of the House of Representatives and the Senate to provide for the medicare catastrophic health insurance initiative, and the aggregates for fiscal years 1988, 1989, 1990, and 1991 in sections 2 and 3 of this resolution shall be adjusted accordingly, when—

(1) legislation has been enacted that ensures that any legislation providing for any such additional funding will not increase the deficits for fiscal years 1988, 1989, 1990, and 1991 above the levels set forth in sections 2 and 3 of this resolution; and

(2) the appropriate committees of the House of Representatives or the Senate have reported legislation as requested by the President that will, if enacted, make funds available for such initiative.

(b)(1) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1988 shall not exceed $2,400,000,000 of new budget authority and $2,400,000,000 of outlays.

(2) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1989 shall not exceed $4,000,000,000 of new budget authority and $4,000,000,000 of outlays.

(3) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1990 shall not exceed $4,800,000,000 of new budget authority and $4,800,000,000 of outlays.

(4) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1991 shall not exceed $5,600,000,000 of new budget authority and $5,600,000,000 of outlays.

(c) Upon the reporting of legislation pursuant to subsection (a), revised allocations under section 302(a) of the Congressional Budget and Impoundment Control Act of 1974, altered by amounts not to exceed those in such legislation, and revised functional levels and aggregates to carry out this section, shall be deemed to have been reported. Such revised allocations, functional levels, and aggregates shall be considered for the purposes of such Act as allocations, functional levels, and aggregates contained in this resolution, and the appropriate committees of the House of Representatives and the Senate shall report revised allocations, pursuant to section 302(b) of such Act to carry out this section.

Calendar No. 92

100TH CONGRESS
1st Session

SENATE

REPORT
100-40

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1988

APRIL 15, 1987.—Ordered to be printed

Filed under authority of the order of the Senate of April 10 (legislative day, March 30), 1987

Mr. CHILES, from the Committee on the Budget, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 48]

The Committee on the Budget submits the following report, accompanying the Concurrent Resolution on the Budget establishing the Congressional Budget for the United States Government for the fiscal year 1988, and setting forth the appropriate budgetary levels for the fiscal years 1989, 1990 and 1991, pursuant to the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) as amended by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177).

70-422 O - 87 — 3

Chapter I. HIGHLIGHTS

On April 8, 1987, the Senate Budget Committee (SBC) reported with a *favorable recommendation* the Chairman's budget proposal by a vote of 13–11. The Committee also sent to the floor *without recommendation* the President's budget, a budget plan proposed by Senator Hollings, a Conrad amendment, and a sequester budget.

The key features of the Committee plan meet the Gramm-Rudman-Hollings mandate to eliminate the Federal deficit by 1991, beginning with $37 billion in deficit reduction for 1988.

The SBC resolution would reduce borrowing needs by about $100 billion compared to the administration's plan. It contains less overall spending than proposed by the White House, while making investments in key future-oriented programs like science, education, research, and job training. These investments are made possible by offsetting reductions and do not constitute new spending.

Overall savings under the Committee plan total $282 billion over 4 years. The savings are achieved with a balanced, three-way mix of domestic spending cuts, restrained military spending, and revenues assigned solely to deficit reduction.

Table 1 compares the key elements of the Committee plan:

Table 1

PLAN REPORTED BY THE SENATE BUDGET COMMITTEE

[In billions of dollars]

	1988	1988–91
CBO baseline deficit	−170.7	−581.2
Defense savings	−6.9	−83.6
Domestic changes (net)	−10.3	−72.3
Domestic cuts	−13.7	−102.0
Domestic initiatives	+3.4	+29.8
Debt service	−1.3	−28.5
Total spending	−18.5	−184.4
Revenue increases	−18.5	−98.0
Total deficit reduction	−37.0	−282.4

DEFENSE.—The resolution freezes defense budget authority in 1988 at 1987 levels and allows for outlay increases of $3 billion.

While contributing $6.9 billion in 1988 deficit reduction from current levels and $83.6 billion over the 4 years, the plan would sustain—not reduce—the essential defense program.

Domestic Changes.—The budget assumes $10.3 billion in net domestic spending reductions for 1988 and $72.3 billion over the 4 years. These changes include $3.4 billion for domestic spending initiatives and $13.7 billion in domestic cuts in 1988. Major changes include:

—Savings of $2.3 billion in 1988 from a freeze of most discretionary programs at 1987 levels.

—Increases of $0.9 billion for space and science programs, including $0.3 billion for general science, $0.3 billion for NASA, and $0.4 billion for other science initiatives.

—A $0.1 billion increase for EPA programs and for land acquisition.

—Reductions of $1.6 billion in farm programs.

—Increases of $0.4 billion in 1987 budget authority for programs to aid the homeless.

—Reductions of $1 billion in budget authority in 1988 for the CDBG and UDAG programs.

—Education program increases of $2 billion.

—Job program increases of $0.7 billion.

—A $0.2 billion child care initiative.

—A $0.2 billion Medicaid initiative.

—Increases for NIH and AIDs research totaling $0.5 billion.

—Increases of $0.2 billion for WIC.

—Increases for law enforcement and judiciary programs of $0.2 billion respectively.

—Funding for the Election Campaign Act.

—Savings of $1.2 billion from Federal pay and management initiatives.

—The resolution provides for enactment of new Medicare catastrophic health insurance on a deficit neutral basis with funds sufficient to cover additional Committee allocation needs set aside in a reserve fund.

—Federal grant assistance to State and local governments under the Committee's recommendation is projected to increase by 4.6 percent annually compared to the President's proposed rate of growth of less than 1 percent yearly. Grant-in-aid assistance is also expected to exceed the 2.9 percent rate of increase in total spending in the Committee's plan and will significantly outpace the 2.6 percent annual growth in State and local assistance from 1981 through 1987.

REVENUE INCREASES.—The resolution includes revenue increases of $18.5 billion in 1988 and $98 billion over the 4 years, constituting one-third of the Committee's deficit reduction package. The Committee assumes the President's requested level of new taxes plus revenues sufficient to compensate for the negative impact of the 1986 Tax Reform Act on baseline revenues through 1991. The revenue mark also assumes receipts from the prepayment of REA loans and a further revenue increment.

Deficits in the Committee plan are below those recommended by the President in all 4 years, using both CBO and OMB economic assumptions and estimating techniques. The Committee budget meets the Gramm-Rudman-Hollings deficit targets in 1988 using OMB assumptions, and achieves a balanced budget in 1991 using either CBO or OMB estimates. Table 2 compares deficits in the Committee plan with the President's budget and the Gramm-Rudman-Hollings target using either CBO or OMB assumptions.

Table 2

COMPARISON OF DEFICITS

[In billions of dollars]

	1988	1989	1990	1991
CBO ECONOMICS AND TECHNICALS:				
Committee Recommendation	−133.7	−106.8	−58.3	+0.1
President's Budget	−134.3	−117.7	−78.5	−36.2
G-R-H Targets	−108.0	−72.0	−36.0	0.0
OMB ECONOMICS AND TECHNICALS:				
Committee Recommendation	−107.9	−81.5	−35.6	+21.2
President's Budget	−107.8	−92.8	−59.5	−21.3
G-R-H Targets	−108.0	−72.0	−36.0	0.0

The Committee's budget is designed to reassert the Nation's economic power, the ability to deliver a rising standard of living on a sustainable basis. While reducing the deficit to zero in 4 years, the Committee plan targets high-priority areas for investment. It also triggers efforts to help the United States project its goods and services into overseas markets. These and other initiatives detailed in the following chapters will help this Nation improve its competitive position, improve job opportunities at home, and contribute to an improved standard of living.

Chapter II. BUDGET OVERVIEW

Budget Trends

To reassert our economic power we must reduce Federal borrowing, while re-arranging spending priorities to invest in the Nation's future economic needs.

The Committee's plan would balance the budget in 1991, ending a decade of unprecedented deficits and ending the massive accumulation of debt. Over 4 years, the plan achieves $282 billion in savings which means about $100 billion less Federal borrowing than the President's proposed budget. Total Federal spending would be lower than prescribed by the President's budget in each year.[1] Yet, while reducing spending in many areas, the Committee's plan targets increased investment in programs that promote economic growth and international competitiveness. In 1988, the deficit would be reduced by $37 billion.

Revenues in the Committee's plan are nearly identical to the levels requested by the President. The decade-old military buildup would be sustained but at a lower cost. Unlike other years, the Committee's budget avoids the use of phantom, 1-year-only savings that may meet deficit reduction targets on paper but do nothing to reduce the structural deficit of nearly $200 billion. The Committee's plan disallows the practice of counting receipts from the sale of government assets as permanent savings.

Using the Congressional Budget Office's (CBO) economic and technical assumptions, the 1988 deficit under the Committee's plan would be $133.7 billion less than the $134.3 billion under the President's plan. The Committee's $37 billion reduction in the deficit surpasses the $36 billion annual cut required by Gramm-Rudman-Hollings. If the President's estimating assumptions were used, the deficit under the Committee's plan would be $108 billion, virtually identical to the President's deficit, meeting the Gramm-Rudman-Hollings maximum deficit allowance.[2]

Following the Gramm-Rudman-Hollings schedule, the Committee's 4-year plan would reduce the deficit by about 1 percent of GNP per year and reach a zero deficit in 1991. The President's plan, even using his own economic assumptions, would not balance the budget by 1991.

---

[1] Outlays in the President's budget net of asset sales and other temporary savings.

[2] The difference between the President's estimating assumptions and those of the Congressional Budget Office are consistent with CBO's publication *An Analysis of the President's Budgetary Proposals for Fiscal Year 1988* (February 1987).

In addition to missing the Gramm-Rudman-Hollings deficit targets by about $40 billion a year, the administration has announced support for policies that would add over $19 billion to the Federal deficit over the next 4 years. (See table 1.) These additional costs were not included in the President's budget.

Table 1

UNFUNDED ADMINISTRATION PROPOSALS

[In billions of dollars]

	Cost (1988–91)
Programs	
Superconducting super collider	4.5
Welfare reform	4.0
Catastrophic health [1]	2.3
Tax expenditures	
Extension of R&D tax credit	4.0
Allocation of R&D expenses	2.5
Other revisions to 1986 Tax Act	2.0
Total	19.3

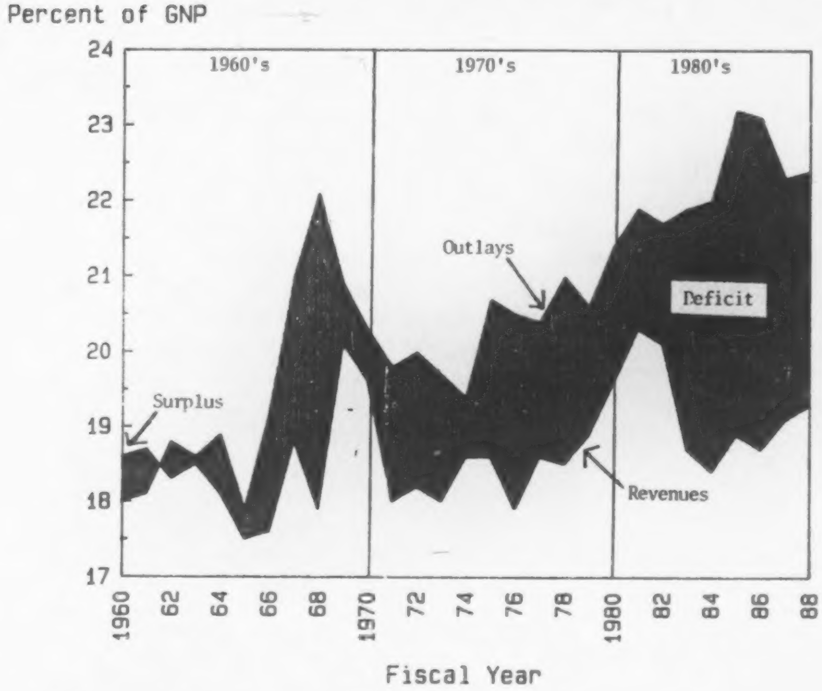
[1] The administration's estimated Medicare premium increase would fall short of covering the costs of the catastrophic health program by $1.48 per person per month (according to the Congressional Budget Office), or about $568 million in 1988. The $2.3 billion is a 4-year estimate.

SOURCES OF THE DEFICITS IN THE 1980's

The annual Federal budget deficit, which has averaged $158 billion (4.5 percent of GNP) since 1980, reached an historic high of $221 billion (5.3 percent of GNP) in 1986. In 1987, the deficit has dropped $45 billion to $176 billion, according to CBO estimates. Much of this decrease, however is due to one-time only savings, such as the sale of government assets and postponement of the military pay date by 1 day. These one-time only savings have no impact on the structural deficit which is the underlying mismatch of spending commitments and the revenue base. Without these one-shot savings, the estimated 1987 deficit would be close to $200 billion. (The standardized employment deficit, shown in Chart 1, approximates the structural deficit. Standardized employment measures remove the effects of variations in the business cycle on revenues and outlays, which helps to isolate the impact of budgetary policies on the deficit.)

CHART 1

FEDERAL OUTLAYS AND REVENUES: THE GROWING GAP IN THE 1980'S (Standardized Employment Deficit)



Prepared by Senate Budget Committee

The Committee's primary challenge this year was to put together a balanced package with *permanent* savings to address the problems of large structural deficits. The major causes of these deficits were:

(1) *Revenues:* Revenues declined dramatically after 1981 as a result of tax reduction legislation. As a consequence of the revenue loss, interest payments on borrowing have increased drastically, worsening the deficit problem.

(2) *Spending:* While revenues to pay for government programs have declined in the 1980's, overall spending for these programs (excluding interest payments) has remained essentially constant as a share of GNP. Domestic spending cuts, which might have kept down the upward pressure on the deficit, have been offset by significant increases in military spending.

REVENUES

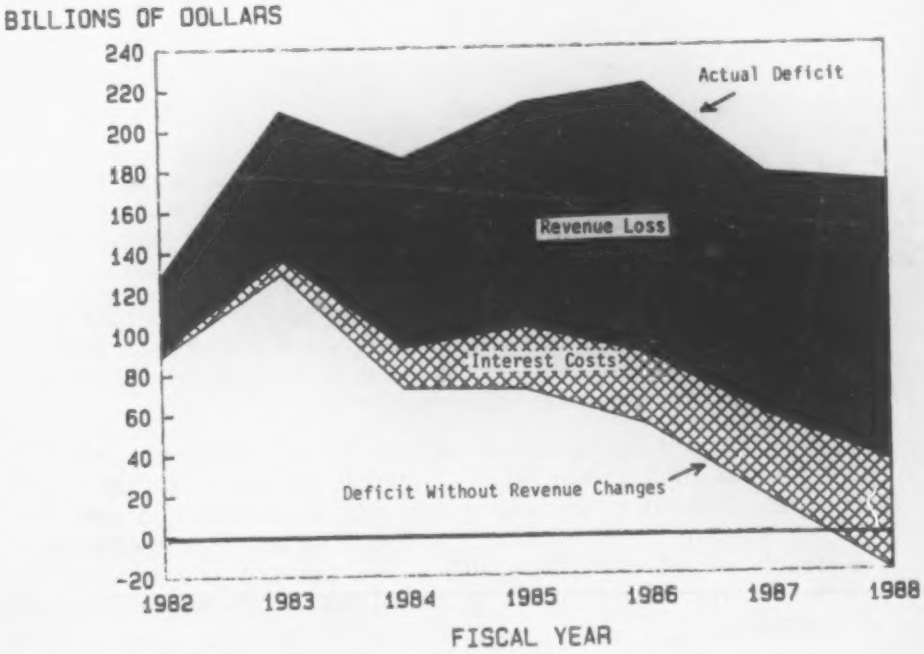
The decreases in revenues have been the major reason for the increase in borrowing to finance the large deficits in the 1980's.

Revenues as a share of GNP dropped sharply from 20.1 percent in 1981 to 18.5 percent in 1986. Interest payments on the Federal debt increased from 2.0 percent of GNP in 1980 to 3.3 percent of GNP in 1986.

Chart 2 illustrates just how large the revenue shortfall and the associated increases in interest payments have been since 1982, the first year of the major tax reduction (Economic Recovery Tax Act of 1981). The Office of Management and Budget (OMB) estimates the revenue loss in 1988 alone at $137 billion due to changes in tax policies since 1981. Additional interest costs stemming from lower revenues are estimated to be $54 billion. Instead of a projected deficit of $171 billion in 1988 under policies currently in effect, the budget would be running a surplus of $20 billion without the combined revenue decline and higher interest payments.

CHART 2

REVENUE LOSSES, INTEREST COSTS
AND THE
GROWING BUDGET DEFICIT



Prepared by Senate Budget Committee

From 1982 to 1988, OMB's estimates show revenue losses based on tax policy changes to be $700 billion. The added interest payments of the Federal Government associated with these revenue declines are $191 billion during the same period.[1] If the tax policies in effect in 1981 had continued, annual average deficits in the 1980's would have been $73 billion (2 percent of GNP), less than half the actual average deficits of $158 billion (4.5 percent of GNP). The 1986 tax reform legislation, although ostensibly deficit neutral, would increase the deficit by $20 billion over the next 4 years.

SPENDING

Spending by the Federal Government in 1987, excluding interest costs, is almost the same as it was in 1981 as a share of GNP. Defense spending increases have essentially been offset by decreases in domestic spending.

DEFENSE SPENDING

Defense outlays have been increasing at a significant pace for a decade, and are now at their highest peacetime level since World War II in constant dollar terms. As a share of GNP, defense spending has increased from 5.0 percent in 1980 to 6.6 percent in 1986. The defense funding base has increased by some $100 billion in real terms since the defense buildup began in the late 1970's.

The growth in defense spending has slowed in recent years, but the higher funding base has been sustained. National defense, however, is no less a priority today than it was in the early 1980's. The defense buildup can be sustained in the late 1980's without large annual funding increases. Improvements made to the Nation's armed forces as a result of the buildup do not have to be bought over and over again.

DOMESTIC SPENDING

Domestic spending grew significantly in the 1960's and 1970's largely as a result of new high priority programs for income security, health, education, social services and environmental protection. In the 1980's, spending for domestic programs has been cut back dramatically. Discretionary domestic outlays have dropped from 5.8 percent of GNP in 1980 to an estimated 3.8 percent of GNP in 1987. In spite of these domestic reductions, the deficit continued to climb because of simultaneous revenue decreases and defense spending increases.

Additional domestic savings are needed to help the deficit reduction effort. However, to meet critical needs, reductions will have to be made more carefully and with a different set of priorities than in the early 1980's. The government cannot afford to take a leave of absence from providing crucial services while working to solve the deficit problem. Some programs will have to be cut to make room for bold initiatives, especially those which invest in future economic growth and self-sufficiency for the needy.

---

[1] Senate Budget Committee estimate.

THE COMMITTEE'S BUDGET PLAN

The Committee's budget plan addresses both the sources of our unprecedented deficits and confronts the future needs of the Nation. The Committee believes the deficit cannot be assumed away by unrealistic projections about future economic performance or illusory savings (such as asset sales) that artificially lower the deficit in 1 year but have no lasting impact. The Committee has avoided accounting devices that meet deficit reduction targets only on paper. Rather, the Committee's budget achieves *real* savings to actually reduce the structural deficit.

The Committee recognizes that deficit reduction is not a 1-year exercise. Therefore, the Committee has approved a long-range package eliminating the deficit in 4 years while establishing explicit annual deficit reduction goals along the way. In 1988, the first year of the plan, the deficit would be cut by $37 billion consistent with the $36 billion annual reductions required by Gramm-Rudman-Hollings.

The Committee believes that both major instruments of fiscal policy—revenues and spending—must play key roles in the deficit reduction effort. The Committee's plan requires equal one-third contributions to deficit reduction from revenue increases, domestic savings and defense savings over 4 years. The Committee does not pretend deficit reduction is a painless task without tough choices.

Yet, by reducing the deficit so substantially, the Committee's budget is a healthy, positive step which should enhance future economic opportunities for Americans.

The Committee plan emphasizes that continued massive borrowing to finance government spending is unacceptable both because of the near term fiscal risks to the Nation and the menacing legacy of debt left to the next generation. The Federal Government has a major role to play in helping to improve the standard of living and quality of life in this country while preserving the Nation's security. The Committee believes the country can afford both its defense and domestic needs without the borrowing which has doubled the national debt in just 6 years.

Without additional revenues, the "borrow and spend" pattern of recent years will continue. The Committee's plan therefore includes modest revenue increases in 1988 and the subsequent 3 years: $18.5 billion in 1988, $23.5 billion in 1989, $23.5 billion in 1990 and $32.5 billion in 1991. These revenues will reduce borrowing. The Committee's budget plan requires $100 billion less in borrowing than the President's budget from 1988 to 1991. It can therefore be said that these additional revenues truly go only for reduced borrowing, *not* for increased spending.

The Committee notes that in the "off-budget" area (social security) of the Federal budget, the government has been responsibly operating as "pay as you go." Unlike the on-budget area, off-budget outlays and revenues have been matched in recent years. In fact, in 1988 and far into the future, the Government will be running a healthy off-budget surplus. Without this surplus, the total Federal deficit would be much higher. Simply put, these figures show that we have been raising sufficient revenues to meet our commitments for social security, but not to pay for national defense or our other critical domestic needs.

Under the Committee's plan, the current "spend now, pay later" approach to the on-budget would be replaced by a "pay as you go" system. Even with the on-budget revenue increases in the Committee's plan, total on-budget revenues as a share of GNP in each year from 1988 to 1991 will still be significantly below their peak levels of the early 1980's (see table 2). In 1981, on-budget revenues as a share of GNP were 15.7 percent. In 1988, on-budget revenues would only be 14.4 percent of GNP rising to 14.9 percent in 1991.

Table 2

ON- AND OFF-BUDGET: REVENUES, OUTLAYS, AND DEFICIT

[In billions of dollars]

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
REVENUES											
On-budget	469	474	453	500	548	569	620	678	724	788	860
Percent of GNP	15.7	15.1	13.6	13.5	13.9	13.7	14.1	14.4	14.4	14.6	14.9
Off-budget (social security)	130	144	147	166	186	200	214	241	262	287	311
Percent of GNP	4.4	4.6	4.4	4.5	4.7	4.8	4.9	5.1	5.2	5.3	5.4
Total	599	618	601	667	734	769	834	919	986	1,075	1,171
Percent of GNP	20.1	19.7	18.1	18.0	18.6	18.5	19.0	19.6	19.6	19.9	20.2
OUTLAYS											
On-budget	543	594	661	686	770	806	815	848	877	904	929
Percent of GNP	18.2	18.9	19.9	18.6	19.5	19.4	18.5	18.0	17.4	16.7	16.0
Off-budget (social security)	135	151	147	166	177	184	195	204	216	229	242
Percent of GNP	4.5	4.8	4.4	4.5	4.5	4.4	4.4	4.4	4.3	4.2	4.2
Total	678	746	808	852	946	990	1,010	1,053	1,092	1,133	1,171
Percent of GNP	22.7	23.7	24.3	23.1	24.0	23.8	23.0	22.4	21.7	21.0	20.2
DEFICIT											
On-budget	(74)	(120)	(208)	(186)	(222)	(237)	(194)	(170)	(153)	(116)	(68)
Percent of GNP	−2.5	−3.8	−6.3	−5.0	−5.6	−5.7	−4.4	−3.6	−3.0	−2.2	−1.2
Off-budget	(5)	(8)	....	....	9	17	19	36	46	58	69
Percent of GNP	−0.1	−0.2	....	....	0.2	0.4	0.4	0.8	0.9	1.1	1.2
Total	(79)	(128)	(208)	(185)	(212)	(221)	(174)	(134)	(107)	(58)	....
Percent of GNP	−2.6	−4.1	−6.3	−5.0	−5.4	−5.3	−4.0	−2.8	−2.1	−1.1	....

Nonetheless, the Committee recognizes that deficit reduction demands restraint in Federal spending programs in 1988 and beyond. The Committee plan would continue to slow down the rate of growth in Federal outlays experienced in the past 2 years (see table 3). Outlays would increase by a modest $30 billion in 1988 and $149 billion over 4 years compared to $33 billion and $167 billion in the President's budget proposal.[1] Defense and domestic spending would make approximately equal contributions to savings over 4 years.

Table 3

COMPARISON OF REAL AND NOMINAL SPENDING GROWTH IN COMMITTEE RECOMMENDATION WITH AND WITHOUT ASSET SALES AND OTHER ONE-TIME SAVINGS

[Outlays in billions of dollars]

	1986	1987	1988	1989	1990	1991
With asset sales and other one-time savings:						
Total outlays	989.8	1,009.8	1,052.7	1,092.3	1,132.8	1,171.3
Nominal growth (percent)		2.0	4.1	3.6	3.6	3.3
Real growth (percent)		−0.6	....	−0.3	−0.2	−0.3
Without asset sales and other one-time savings:						
Total outlays	989.8	1,021.8	1,051.9	1,091.5	1,132.0	1,170.5
Nominal growth (percent)		3.1	2.9	3.6	3.6	3.3
Real growth (percent)		0.6	−1.2	−0.3	−0.2	−0.3

The Committee recognizes that although many domestic programs have been cut in recent years, a balanced plan requires continued restraint in domestic spending. About one-third of the deficit reduction savings over 4 years would come from domestic programs. Reductions in some less critical domestic programs, however, would be partly balanced off by increases in some high priority programs.

For example, the Committee's plan provides $3.4 billion in funding increases for initiatives in education, science and technology, job training and trade promotion. The Committee believes that even during this period of austere budgets, it is essential to make sound investments in programs that promote economic growth and enhance competitiveness in the world market. The Committee's budget also includes increased funding in other high priority areas, such as welfare reform, Women, Infants, and Children (WIC) program, AIDS research, Medicaid, homeless support and environmental protection. The Committee's budget also provides for a self-supporting Catastrophic Health program.

---

[1] Outlays are net of asset sales and other temporary savings.

Given the recent record of cuts in domestic programs, no budget can be considered to provide a fair sharing of the burden of deficit reduction that does not include savings in defense. Defense savings would be $6.9 billion in 1988 and $83.6 billion over 4 years. Defense outlays would continue to rise under the Committee's plan but at slower growth rates than in recent years.

The Committee plan provides for $284 billion in defense outlays in 1988 and a total of $1.2 trillion over 4 years. The Committee believes these amounts are sufficient for sustaining the improvements in the U.S. defense posture resulting from the trillion dollar buildup in the 1980's. While reducing outlays below CBO's zero real growth *dollar* baseline for defense, the Committee's plan would maintain and not reduce the actual defense *program*. In recent years, Congress, the Department of Defense and other government agencies have identified billions of dollars in defense savings that can be applied towards enhancing the defense program without large annual increases in the defense budget itself.

The Committee this year has begun to make the hard choices essential to deficit reduction and sound economic growth. The Committee realizes that the country cannot afford to postpone serious deficit reduction any longer. Recent experience shows that each year of delay adds to the future burden.

By setting the feasible goal of a balanced budget in 1991 with clear banchmark reductions along the way, the Committee's multiyear plan provides an effective standard by which to measure future fiscal decisions. Any suggested spending increases not offset by reductions elsewhere would deviate from the path towards a balanced budget.

The Economic Power Budget

Economic power is the ability to achieve a rising standard of living on a sustainable basis. Economic power is built, not on the weak base of slow wage growth and deliberate dollar depreciation, but on the sturdy foundation of rapidly growing productivity.

The economic power budget represents investment in long-run productivity growth. It targets for funding increases those programs—in the areas of education, research and development, workplace organization, and trade policy—that prepare the United States' work force, its knowledge base, and its marketplace for success in the international arena.

Investment in economic power is not always big money—but it is always smart money. The programs in the economic power budget are all programs that will, in the long run, give back more than they take. They will raise the competence and efficiency of our work force, sustain our international lead in creativity, and give us the chance to win in the world market.

Table 4 shows major program increases in the economic power budget.

Table 4

ECONOMIC POWER INITIATIVES

[In billions of dollars]

	1988	1989	1990	1991
SKILLS AND NEW PARTNERSHIPS				
Includes: drop-out prevention, workplace literacy, vocational education, Job Corps, graduate engineering fellowships, dislocated worker program, job market information, pilot on profit-sharing.				
Budget authority	1.0	1.3	1.5	2.0
Outlays	0.3	0.9	1.3	1.6
SCIENTIFIC RESEARCH				
Includes: manufacturing technology, simulators and training, composites and electronics research, National Science Fondation, university instrumentation initiative, space station, supercollider, Department of Energy general science research.				
Budget authority	0.8	3.0	4.4	5.1
Outlays	0.4	1.8	3.4	4.3
TECHNOLOGICAL DEVELOPMENT				
Includes: Energy efficiency research, low-input agricutural research, regional manufacturing technology centers, federal lab clearing house, National Institute of Health research.				
Budget authority	0.4	0.5	0.8	0.9
Outlays	0.2	0.4	0.5	0.8
TRADING SMART				
Includes: Foreign Commercial Services, Small Business Association trade center and counselors, monitoring of predatory trade, United States' Trade Representative.				
Budget authority	0.1	0.1	0.1	0.1
Outlays	0.1	0.1	0.1	0.1
Total:				
Budget authority	2.3	4.9	6.8	8.4
Outlays	1.0	3.2	5.3	7.1

The Enforcement Question

Those observing and involved in the budget process have suggested wholesale revision as the key to deficit reduction. While there is always room for improvement, the process has proven to be a compelling means to assert discipline.

On average, Congress has followed through on budget proposals by achieving—through reconciliation—108 percent of the prescribed first-year savings since 1982.

Projected over 3 years, the reconciliation process has averaged 104 percent of the savings between 1982 and 1986. When the 3-year savings average fell to 70 percent in 1987, it was the result of 1-year measures like asset sales.

Beyond the success of reconciliation, a new enforcement element has been added. Appropriations subcommittees are now restricted from exceeding their appropriated outlay limits. In 1986, total appropriated spending was held down $1.7 billion. In the absence of the new restrictions, spending limits were breached by $6 billion in 1983 and $3 billion in 1984.

The Committee budget includes additional measures to ensure effective deficit reduction. Section 5 of the budget resolution establishes a deficit reduction account. Any new revenues collected as a result of the reconciliation procedure would be placed in this account. They would be used solely to retire outstanding debt obligations and remain unavailable for appropriation. Revenue increases would not go into effect if the Committees of Congress had exceeded their spending limits.

Section 6 of the Budget Resolution provides that the sale of Government assets should not be counted for purposes of deficit reduction in the current fiscal year to permit further spending in the current year.

The Committee believes that while modifying the budget process may have value, it is not a substitute for the willpower required to cut the deficit under the procedures already available.

Economic Assumptions and Outlook

ECONOMIC ASSUMPTIONS

The Committee is convinced the Congressional Budget Office's economic forecast is a realistic one and a sound basis for constructing the budget. CBO's forecast corresponds with private forecasters, including the Blue Chip Consensus and other major econometric services. As the comparisons below illustrate, CBO's forecast occupies a middle position among private forecasts.

The Office of Management and Budget's forecast, on the other hand, is more optimistic than both CBO and many private forecasters'. The Committee concludes that discussing the budget under

CBO rather than OMB's framework will give a more realistic view of fiscal deficit reduction.

COMPARISON OF ECONOMIC FORECASTS FOR 1987

[Percent]

	Change		Average for year		
	Real GNP	CPI	Unemployment	T-bills 3 mos.	AAA bonds
Merrill Lynch	2.1	3.2	6.8	5.1	8.3
Bank of America	2.3	3.5	6.8	5.0	8.2
Blue Chip Consensus	2.4	3.2	6.8	5.6	8.6
CBO	2.8	3.5	6.7	5.6	8.7
USA Chamber of Commerce	3.0	3.4	6.6	5.0	8.1
OMB	3.1	3.0	6.7	5.6	7.8

COMPARISON OF ECONOMIC FORECASTS FOR 1988

[Percent]

	Change		Average for year		
	Real GNP	CPI	Unemployment	T-bills 3 mos.	AAA bonds
Merrill Lynch	2.7	4.7	6.7	5.4	8.9
CBO	3.0	3.6	6.3	5.8	7.1
Bank of America	3.1	4.2	6.5	5.4	8.9
Blue Chip Consensus	3.3	4.2	6.5	6.2	8.9
OMB	3.5	3.6	6.3	5.8	7.1
USA Chamber of Commerce	3.6	4.8	5.7	5.3	8.0

THE ECONOMIC OUTLOOK

In 1985 and 1986, spending by Americans grew at an average annual rate of 4.2 percent. However, because much of that spending went to foreign rather than domestic firms, domestic production—GNP—grew at an annual rate of only 2.6 percent.

Because the sectors that fueled economic expansion in the past are unlikely to continue to drive growth in the future, improved economic performance will depend substantially on U.S. international trade. As a result of deficit reduction, fiscal policy will be far less expansionary. Consumers are unlikely to maintain their pace of spending as debt burdens rise and income growth slows. Investments may be held back in the short run while adjustments to the new tax law are made and producers wait for a lower dollar to shift demand to domestic sources.

All this implies that sustained economic recovery in the United States is contingent on success in the international marketplace. In short, the U.S. trade situation must improve. In each year of this decade, the trade deficit has increased. In 1986, the merchandise trade deficit hit a record $170 billion.

A fundamental readjustment is under way in the global economy. The depreciation of the dollar has made U.S. goods relatively more attractive, and should be the major impetus to a narrowing of the trade deficit. The dollar has fallen over 50 percent against the currencies of Japan and Germany but has declined little against the currencies of major trading partners such as Canada, Mexico, Brazil, Korea, and Taiwan. On a trade-weighted basis the dollar has fallen approximately 25 percent.

The trade deficit has been slow to react to dollar depreciation. Early in this decade, the overvaluation of the dollar was so severe that the substantial decline in the dollar over the last 18 months is just beginning to have an impact on trade flows. In 1986, foreign producers chose to absorb lower profit margins rather than raise dollar prices. But recently, import prices have begun to rise at a 5-percent annual rate, setting the stage for a shift of demand toward U.S. produced goods and services.

The real trade deficit may finally be improving. In the last two quarters, real U.S. exports increased at a double digit annual rate. There are also indications that the volume of imports may have peaked.

This improvement has been masked in the merchandise trade data by the increased cost of imports. Dollar depreciation makes imports more expensive, eventually inducing purchasers to choose domestic over foreign goods. In the interim before purchasers can alter their spending patterns, the higher price of imports causes the dollar value of the trade deficit to rise (the j-curve effect). Eventually, the impact of a reduced volume of imports more than offsets the higher price, causing the nominal trade deficit to decline as well.

For dollar depreciation to bring structural improvement to United States' international trade, it must be supported by monetary and fiscal policies both here and abroad. Deficit reduction in the United States is essential if national borrowing needs and the upward pressure on the dollar they occasion are to be avoided. The needed reduction in Federal spending will not bring a slowdown in economic growth if monetary policy is relaxed at the same time. Overseas, there is a need for fiscal expansion both to support foreign growth and to underwrite demand for American products.

U.S. producers must also hold the line on domestic prices rather than raising them along with the import prices. Raising prices may increase the *short-term* profitability of American producers, but it will undermine the improvement in the trade deficit, prevent a recapturing of market share, and weaken *long-run* profitability.

In this decade, the trade deficit has subtracted from economic growth. But there is evidence that an emerging turnaround in trade will bolster economic prospects. For this to occur, U.S. trading partners must fulfill commitments undertaken at this year's Paris meeting and move forcefully to expand their domestic economies. For our part, the United States must adopt a budget plan that puts the deficit on a credible path to zero.

ECONOMIC INDICATORS: DOMESTIC

Year	Median family income [1]	Personal savings/ disposable income [2]	Consumer installment credit/ disposable income [2]	Federal deficit—fiscal years [3]	Merchandise trade deficit [3]
1970	27,366	8.1	14.2	−2.8	2.6
1971	27,319	8.5	14.3	−23.0	−2.3
1972	28,584	7.3	14.7	−23.4	−6.4
1973	29,172	9.4	15.2	−14.9	0.9
1974	28,145	9.3	15.3	−6.1	−5.5
1975	27,421	9.2	14.2	−53.2	8.9
1976	28,267	7.6	14.2	−73.7	−9.5
1977	28,419	6.6	14.9	−53.6	−31.1
1978	29,087	7.1	15.6	−59.2	−34.0
1979	29,029	6.8	16.3	−40.2	−27.5
1980	27,446	7.1	15.5	−73.8	−25.5
1981	26,481	7.5	14.3	−78.9	−28.0
1982	26,116	6.8	14.1	−127.9	−36.4
1983	26,642	5.4	14.3	−207.8	−67.1
1984	27,736	6.3	15.5	−185.3	−112.5
1985	27,735	5.1	17.2	−212.3	−124.4
1986	NA	3.9	18.7	−220.7	−147.7

[1] In 1985 dollars.
[2] In percentages.
[3] In billions of dollars.

Domestic economic indicators point to a stagnant standard of living. Median family income has deteriorated. The savings rate—a measure of our willingness to invest in the future—has fallen dramatically. Consumer debt as a percentage of disposable income has reached proportions that cannot be sustained. The fiscal and merchandise trade deficits have grown at an alarming pace.

The adoption of the Economic Power budget will begin a sustained build-up of our standard of living. The commitment it took to build the United States into a military power is needed today to work toward economic power. Reduction of the fiscal deficit paired with investment in competitiveness is the first step in producing a turnaround in the several economic indicators listed above.

ECONOMIC INDICATORS: INTERNATIONAL

Annual Percent Changes in Productivity

Country	1960–1973	1973–1979	1979–1985
United States	1.9	0.0	0.7
Japan	8.2	2.9	3.0
Germany	4.1	2.9	1.6
Italy	5.8	2.9	1.6

Gross Fixed Capital Formation as a Percentage of Gross Domestic Product

Country	1968–1973	1974–1979	1980–1984
United States	18.3	18.3	17.5
Japan	34.6	31.8	29.6
Germany	24.4	20.8	21.2

Net Savings as Percentage of Gross Domestic Product

Country	1968–1973	1979–1979	1980–1984
United States	8.7	6.8	3.8
Japan	24.6	20.2	17.3
Germany	16.9	11.5	8.7

"Misery Index"—Unemployment plus Inflation

Country	1968–1973	1974–1979	1980–1984
United States	9.6	15.2	14.9
Japan	8.2	11.9	6.1
Germany	5.4	8.2	10.7

On the basis of cross-country comparison, it is clear that the United States has not been building a foundation that will allow us to win in the world market. U.S. growth in productivity has consistently lagged behind that of our competitors. U.S. savings and capital formation as percentages of Gross Domestic Product (GDP) are lower as well.

As the "misery index" compiled by the OECD indicates, the United States' economic performance is poor by comparison with our developed trading partners. The Economic power budget seeks to change this. It makes the hard and sound choices that will deliver a rising standard of living on a sustainable basis.

Chapter III. SUMMARY OF COMMITTEE RECOMMENDATIONS

This chapter includes three main sections: (1) an explanation of the Committee's revenue recommendations, (2) an explanation of the Committee's recommendations for spending programs, and (3) a section describing the Committee's recommendation for credit programs.

Revenues

The Committee recommends a revenue increase of $18.5 billion for 1988. The Committee recommendation assumes the baseline level of revenue plus an increase in revenue equal to those proposed by the President ($5.0), an increase in revenue sufficient to compensate for losses due to enactment of The 1986 Tax Reform Act ($3.5 billion) and $2.8 billion in unspecified revenues. The Committee also treats receipts from the prepayment of REA loans as revenues, thus lowering the level of revenues reconciled to the Finance and Ways and Means Committees by $7.2 billion. Future losses from REA prepayments are compensated for by additional revenues to be raised in 1989 through 1991.

The Committee further recommends increased revenue levels of $23.5 billion in 1989, $23.5 billion in 1990 and $32.5 billion in 1991. These outyear revenue levels also reflect the President's requested revenue increases, offsets to the 1986 Tax Reform Act, and a further revenue increment.

The Committee recommendation specifically rejects any increase in individual tax rates. The Committee believes that the recommended revenue increases, outlined above, are achievable through various revenue sources other than income tax rate hikes.

Table 1

COMMITTEE RECOMMENDATIONS

	1988	1989	1990	1991	1988–91
Total new revenues	18.5	23.5	23.5	32.5	98.0
Minus REA refinancing	7.2	−0.8	−0.8	−0.8	−4.8
Minus President's request	5.0	7.1	7.7	8.0	27.8
Minus tax reform losses	3.5	12.7	4.6	−0.2	20.6
Net revenue increases	2.8	2.9	10.4	23.9	40.0

REVENUE BASELINE

The revenue baseline used by the Committee during its deliberations on the budget resolution was estimated by the Congressional Budget Office using the economic assumptions discussed in chapter II. The baseline is the level of revenues that would occur under existing tax law. All tax provisions scheduled to expire between 1987 and 1991 are assumed to do so as specified in law. Exceptions include Taxes for the Highway Trust Fund, the Airport and Airway Trust Fund and the Hazardous Substance Response Trust Fund (Superfund) that are assumed to be extended beyond their current expiration dates through 1991. This convention is used to be consistent with baseline assumptions for spending.

Table 2

BASELINE REVENUES BY SOURCE

[In billions of dollars]

Source	Projected				
	1987	1988	1989	1990	1991
Individual income	361.3	381.0	412.4	458.4	502.2
Corporate income	100.6	118.5	125.8	137.7	150.5
Social insurance	300.8	329.5	353.3	383.3	412.5
OASDI	213.7	240.5	261.6	289.9	310.9
HI	55.7	59.7	63.9	68.9	74.3
Other	31.4	29.2	27.9	27.5	27.3
Windfall profit	0.0	0.0	0.0	0.0	0.0
Other excises	32.7	32.0	31.4	32.0	32.5
Estate and gift	6.0	5.8	5.0	4.4	3.9
Customs duties	14.2	15.4	16.6	17.6	19.2
Miscellaneous	18.5	18.3	17.5	17.7	18.1
Total revenues	834.1	900.5	962.0	1,051.0	1,138.9
On-budget revenues	620.4	659.9	700.4	764.1	828.0
Off-budget revenues	213.7	240.5	261.6	286.9	310.9

EXPLANATION OF RECONCILIATION INSTRUCTIONS

The Committee reconciles to the Finance Committee revenue increases in the amount of $11.3 billion in 1988, $23.5 billion in 1989, $23.5 billion in 1990 and $32.5 billion in 1991. The Committee further reconciles $7.2 billion to the Committee on Agriculture, Nutrition and Forestry.

The Committee budget assumes the baseline level of revenues plus increases as proposed by the President and an unspecified increment. The Committee also assumes adjustments to compensate for revenue and outlay losses from the 1986 Tax Reform Act. According to CBO reestimates of the new tax law, tax reform will lose $9.0 billion in revenues and will cost an additional $11.7 billion in outlays (to cover the costs of additional earned income credit payments) over the 1988 through 1991 period. Therefore, to offset for the impact of the Tax Reform Act on the Federal tax base over the next 4 years, a full $20.6 billion in additional revenue is required to be raised.

A final revenue component assumed in the Committee mark is the prepayment of REA loans. Prepayment of REA loans increases receipts by $7.2 billion in FY 1988 and consequently reduces the level of new revenues to be reconciled. Waiving all Federal Financing Bank prepayment premiums, however, increases outlays annually in fiscal years 1989 through 1991 and requires an additional $800 million in revenues to be raised to compensate for the losses.

Table 3

REVENUE PROJECTIONS

[In billions of dollars]

	1988	1989	1990	1991
Baseline	900.5	962.0	1,051.0	1,138.9
President's request	5.0	7.1	7.7	8.0
Tax reform shortfalls	3.5	12.7	4.6	—0.2
REA refinancing	7.2	—0.8	—0.8	—0.8
Unspecified revenue increases	2.8	2.9	10.4	23.9
Reconciliation	(11.3)	(23.5)	(23.5)	(32.5)

Tax Expenditures

TAX EXPENDITURES DEFINED

Tax expenditures are defined in the Congressional Budget Act as ". . . those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax or a deferral or tax liability."

In many respects, tax expenditures are analogous to direct spending programs that have no spending limits, and that are available as entitlements to individuals and corporations who meet the criteria established for the programs. The term tax expenditure comes from the assumption that the objectives of many of these preferential tax provisions might be equally accomplished by expenditure programs.

With respect to estimating additional revenues from the termination or limitation of tax expenditure provisions, it should be noted that because of interaction among provisions, the revenue effect of altering more than one of these preference items would not necessarily equal the sum of each individual item.

TAX EXPENDITURE ESTIMATES

Despite the passage of the 1986 Tax Reform Act, tax expenditures for the next 4 years are projected to grow from $321 billion in 1988 to $356 billion in 1991. As a percent of total revenues, expenditures through the tax code will remain above 30 percent through 1991.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1988–1992

[Billions of dollars]

Function	Corporations					Individuals					Total 1988-92
	1988	1989	1990	1991	1992	1988	1989	1990	1991	1992	
National defense											
Exclusion of benefits and allowances to Armed Forces personnel						1.8	1.7	1.8	1.8	1.9	8.9
Exclusion of military disability pensions						0.1	0.1	0.1	0.1	0.1	0.6
International affairs											
Exclusion of income earned abroad by U.S. citizens						1.2	1.3	1.3	1.4	1.5	6.7
Exclusion of certain allowances for Federal employees abroad						0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	0.9	1.0	1.0	1.1	1.3						5.3
Deferral of income of controlled foreign corporations	0.1	0.1	0.1	0.1	0.1						0.4
Inventory property sales source rule exception	0.5	0.5	0.5	0.5	0.5						2.6
Interest allocation rules exception for certain nonfinancial institutions	(1)	0.1	0.1	0.1	0.1						0.4
General science, space, and technology											
Expensing of research and development expenditures	2.1	2.2	2.3	2.5	2.6	0.1	0.1	0.1	0.1	0.1	12.2
Credit for increasing research activities	1.8	0.9	0.5	0.2	0.1	0.1	0.1	(1)	(1)		3.7
Modification in regulations providing for allocation of research and experimental expenditures	0.1										0.1
Energy											
Expensing of exploration and development costs:											
Oil and gas	−1.0	−0.8	−0.5	−0.1	0.2	0.4	0.4	0.5	0.5	0.6	0.2
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Excess of percentage over cost depletion:											
Oil and gas	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.4	2.7
Other fuels	0.2	0.2	0.2	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.3
Exception from passive loss limitation for working interests in oil and gas properties						0.2	0.3	0.3	0.4	0.4	1.7
Alternative fuel production credit	(1)	(1)	(1)	(1)	(1)						0.1

Business energy credits (solar, geothermal, ocean thermal and biomass)	0.1	(2)	(2)	(2)	(2)	......	......	......	......	......	(1)
Alcohol fuel credit [3]	(1)	0.2	0.2	0.2	0.3	(1)	(1)	(1)	(1)	(1)	1.1
Exclusion of interest on State and local government industrial development bonds for energy production facilities	(2)	(2)	(2)	(2)	(2)	0.2	0.2	0.2	0.2	0.2	0.8
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Natural resources and environment											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel materials	0.3	0.3	0.4	0.4	0.4	(1)	(1)	(1)	(1)	(1)	1.9
Investment credit and 7-year amortization reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Expensing multiperiod timber growing costs	0.3	0.3	0.3	0.3	0.4	(1)	(1)	(1)	(1)	(1)	1.7
Exclusion of interest on State and local government sewage, water and hazardous waste facilities bonds	−0.3	−0.3	−0.4	−0.4	−0.4	1.8	1.8	1.9	2.1	2.2	8.1
Investment tax credit and passive loss exception for rehabilitation of historic structures	0.7	0.5	0.5	0.6	0.6	1.2	1.0	1.1	1.2	1.3	8.7
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	......	......	......	......	......	0.1
Agriculture											
Expensing of certain capital outlays	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.4
Expensing certain multiperiod production costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deductibility of patronage dividends and certain other items of cooperatives	0.6	0.6	0.6	0.7	0.7	−0.1	−0.1	−0.2	−0.2	−0.2	2.4
Exclusion of cost-sharing payments	......	......	......	......	......	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers	......	......	......	......	......	(1)	(1)	(1)	(1)	(1)	0.1
Special investment tax credit carryback rules for farmers	......	......	......	......	......	0.2	(2)	(2)	(2)	(2)	0.1
Commerce and housing											
Financial institutions											
Excess bad debt reserves of financial institutions	0.2	0.2	0.2	0.2	0.2	......	......	......	......	......	1.0
Merger rules for thrift institutions	0.3	0.2	0.2	0.1	0.1	......	......	......	......	......	0.9
Exemption of credit union income	0.4	0.4	0.4	0.5	0.5	......	......	......	......	......	2.2
Insurance companies											
Exclusion of income on life insurance and annuity savings	0.2	0.2	0.2	0.2	0.2	5.0	4.7	5.0	5.2	5.5	26.5

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1988–1992—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1988–92
	1988	1989	1990	1991	1992	1988	1989	1990	1991	1992	
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1						0.5
Deduction of unpaid losses for property treatment of casualty insurance companies	2.7	2.4	2.0	1.0	1.4						9.5
Treatment of reserves of life insurance companies	0.6	0.6	0.7	0.8	0.8						3.5
Special alternative tax on small property and casualty insurance companies	0.1	0.1	0.1	(1)	(1)						0.4
Tax exemption for certain insurance companies	0.1	0.1	0.2	0.2	0.2						0.9
Special deduction for Blue Cross and Blue Shield companies	0.1	0.1	0.2	0.2	0.2						0.9
Housing											
Deductibility of mortgage interest on owner-occupied principal and second residences						28.9	28.4	29.6	30.8	32.1	149.8
Deductibility of property tax on owner-occupied homes						8.2	7.4	7.8	8.2	8.7	40.3
Deferral of capital gains on home sales						6.9	6.5	7.1	7.7	8.4	36.7
Exclusion of capital gains on home sales for persons age 55 and over						2.3	2.2	2.4	2.6	2.8	12.2
Exclusion of interest on State and local government bonds for owner-occupied housing	0.4	0.4	0.3	0.3	0.3	1.4	1.3	1.2	1.1	1.1	7.7
Depreciation of rental housing in excess of alternative depreciation system	0.2	0.2	0.3	0.4	0.4	0.9	0.9	1.0	1.1	1.1	6.4
Credit and passive loss exception for low-income housing	(1)	0.1	0.1	0.1	0.1	0.3	0.6	0.9	1.0	1.0	4.3
Exclusion of interest on State and local government bonds for rental housing	0.3	0.2	0.2	0.2	0.2	0.8	0.7	0.7	0.7	0.7	5.0
Other business and commerce											
Depreciation on buildings other than rental housing in excess of alternative depreciation system	3.5	3.6	3.9	4.0	4.1	2.8	2.9	3.1	3.1	3.3	34.3

Depreciation on equipment in excess of alternative depreciation system	22.4	25.6	29.2	31.3	33.2	6.4	7.3	8.4	9.1	9.7	182.2
Investment credit other than ESOPs, rehabilitation of structures, reforestation, and energy property	7.9	4.6	2.8	1.5	0.9	1.2	0.6	0.2	0.1	0.1	19.7
Special investment credit carryback rules	0.6	(2)	−0.1	−0.1	−0.1						0.3
Expensing up to $10,000 depreciable business property	0.9	0.7	0.6	0.2	0.2	0.4	0.3	0.2	0.2	0.2	3.9
Exclusion of capital gains at death						4.4	4.9	5.3	5.6	6.0	26.2
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Nonrecognition of gain on property distributions in pre-1989 liquidations	3.9	4.1	4.3	4.4	4.5	−0.3	−0.3	−0.3	−0.4	−0.4	19.6
Reduced rates on first $75,000 of corporate taxable income	5.6	5.0	5.2	5.5	5.7						27.0
Deductibility of nonmortgage interest in excess of investment income						5.7	3.0	1.6	0.4		10.7
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.2	0.2	0.2	1.0
Expensing magazine circulation expenditures	(1)	(1)	(1)	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback, and record returns	(1)	(1)	(1)	(1)	(1)						(1)
Deferral of gain on installment sales	0.1	0.1	0.1	0.1	0.2	(1)	(1)	(1)	(1)	(1)	0.7
Completed contract rules	−1.1	−2.1	−0.9	0.2	0.4	(2)	(2)	(2)	(1)	(1)	−3.6
Cash accounting, other than agriculture	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of interest on State and local small issue bonds	−0.3	−0.2	−0.2	−0.1	−0.1	2.7	2.4	2.4	2.4	2.4	11.5
Exception from passive loss rules for $25,000 of rental losses						2.0	2.8	3.6	3.9	3.8	16.1
Transportation											
Deferral of tax on capital construction funds of shipping companies	(1)	0.1	0.1	0.1	0.1						0.4
Exclusion of interest on State and local government bonds for mass transit commuting vehicles and facilities	(2)	(2)	(2)	(2)	(2)	0.1	(1)	(1)	(1)	(1)	0.2
Community and regional development											
Investment credit and passive loss exception for rehabilitation of structures, other than historic structures	0.2	0.1	0.1	0.1	0.1	0.4	0.3	0.2	0.2	0.2	1.9
Exclusion of interest on State and local government bonds for private airports and docks	−0.1	−0.1	−0.1	−0.1	−0.1	0.7	0.7	0.8	0.8	0.9	3.4

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1988–1992—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1988–92
	1988	1989	1990	1991	1992	1988	1989	1990	1991	1992	
Five-year amortization for housing rehabilitation	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Education, training, employment, and social services											
Education and training											
Exclusion of scholarship and fellowship income	....	....	....	....	....	0.7	0.6	0.6	0.7	0.7	3.3
Parental personal exemption for students age 19 or over	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of interest on State and local government student loans	0.1	0.1	(1)	(1)	(1)	0.3	0.2	0.2	0.2	0.2	1.5
Exclusion of interest on State and local government bonds for private educational facilities	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	1.8
Deductibility of charitable contributions for education	0.4	0.5	0.5	0.5	0.6	1.2	1.1	1.1	1.2	1.2	8.3
Exclusion of employer-provided educational assistance	....	....	....	....	....	(1)	....	....	....	....	(1)
Employment											
Targeted jobs credit	0.3	0.2	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	0.9
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	....	....	....	....	....	....
Employee stock ownership plans (ESOPs) [4]	0.8	0.5	0.1	0.1	(1)	....	....	....	....	....	1.8
Exclusion of cafeteria plans	....	....	....	....	....	1.4	2.0	2.6	3.2	3.6	12.8
Exclusion of rental allowances of minister's home	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	3.4	3.7	4.1	4.4	4.7	20.3
Exclusion of income earned by benefit organizations:											
Supplemental unemployment benefit trusts	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.2
Voluntary employees' beneficiary associations	....	....	....	....	....	0.4	0.4	0.5	0.5	0.5	2.2
Reserves for vacation pay	0.1	(1)	(1)	(1)	(1)	....	....	....	....	....	0.3
Exclusion for employer contributions to prepaid legal services plans	....	....	....	....	....	(1)	....	....	....	....	(1)

Exclusion of employee awards						0.1	0.1	0.1	0.1	0.1	0.4
Social services											
Deductibility of charitable contributions, other than for education and health	0.4	0.4	0.5	0.5	0.6	9.1	8.2	8.6	9.1	9.5	46.9
Credit for child and dependent care expenses						3.3	3.5	3.8	4.2	4.6	19.5
Exclusion for employer-provided child care						(1)	0.1	0.1	0.1	0.1	0.4
Exclusion for certain foster care payments						(1)	(1)	(1)	(1)	(1)	0.1
Expensing costs of removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health											
Exclusion of contributions by employers and self-employed for medical insurance premiums and medical care						24.2	26.5	27.8	29.6	31.1	139.2
Deductibility of medical expenses						2.3	2.3	2.6	3.0	3.3	13.6
Exclusion of interest on State and local government bonds for hospital facilities	0.1	0.1	0.1	0.1	0.1	2.4	2.3	2.5	2.6	2.7	12.9
Deductibility of charitable contributions for health	0.2	0.2	0.2	0.2	0.2	1.2	1.0	1.1	1.2	1.2	6.7
Tax credit for orphan drug research	(1)	(1)	(1)	(1)							(1)
Medicare											
Exclusion of untaxed medicare benefits:											
Hospital insurance						3.8	4.2	4.7	5.1	5.6	23.4
Supplementary medical insurance						1.9	2.1	2.4	2.7	3.0	12.1
Income security											
Exclusion of untaxed railroad retirement system benefits						0.4	0.4	0.4	0.4	0.4	1.9
Exclusion of workmen's compensation benefits						2.7	3.0	3.3	3.6	3.9	16.5
Exclusion of special benefits for disabled coal miners						0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of public assistance benefits						0.3	0.3	0.3	0.3	0.3	1.5
Net exclusion of pension contributions and earnings						49.3	51.7	56.5	61.8	67.5	286.9
Individual retirement plans						8.5	8.4	8.9	9.3	10.2	45.3
Exclusion of other employee benefits:											
Premiums on group term life insurance						1.8	1.8	1.9	2.0	2.1	9.6
Premiums on accident and disability insurance						0.1	0.1	0.1	0.1	0.1	0.6
Exclusion for employer-provided death benefits						(1)	(1)	(1)	(1)	(1)	0.1
Additional standard deduction for the blind and the elderly						1.4	1.1	1.2	1.3	1.4	6.4
Tax credit for the elderly and disabled						0.2	0.2	0.2	0.2	0.2	0.8
Deductibility of casualty and theft losses						0.3	0.2	0.2	0.1	0.1	0.9
Earned income credit [5]						0.8	1.2	1.4	1.5	1.7	6.6

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1988–1992—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1988–92
	1988	1989	1990	1991	1992	1988	1989	1990	1991	1992	
Social Security											
Exclusion of untaxed social security benefits:											
Disability insurance benefits	....	....	....	....	....	1.5	1.4	1.5	1.6	1.7	7.7
OASI benefits for retired workers	....	....	....	....	....	12.5	11.7	12.5	13.2	14.1	64.0
Benefits for dependents and survivors	....	....	....	....	....	4.5	4.2	4.5	4.8	5.1	23.1
Veterans benefits and services											
Exclusion of veterans' disability compensation	....	....	....	....	....	1.3	1.2	1.3	1.3	1.3	6.5
Exclusion of veterans' pensions	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of GI bill benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.3
Exclusion of interest on State and local government veterans' housing bonds	0.1	0.1	0.1	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.2
General purpose fiscal assistance											
Exclusion of interest on general purpose State and local government debt	1.8	1.6	1.5	1.5	1.4	8.1	7.6	7.9	8.7	8.8	48.9
Deductibility of nonbusiness State and local government income and personal property taxes	....	....	....	....	....	18.3	16.7	18.0	19.5	21.2	93.5
Exclusion and tax credit for corporations with possessions source income	1.7	1.7	1.9	2.1	2.3	....	....	....	....	....	9.7
Interest											
Deferral of interest on savings bonds	....	....	....	....	....	0.8	0.8	0.8	0.8	0.8	4.0

Footnotes to Table 1:

[1] Positive tax expenditure of less than $50 million.

[2] Negative tax expenditure of less than $50 million.

[3] In addition, the 6-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.2 billion in 1988, and less than $50 million in 1989.

[4] Includes effects of tax credit, dividend deduction, nonrecognition of gain on stock sales, and exclusion of interest on ESOP loans.

[5] The figures in the table show the effect of the earned income credit on receipts. The increases in outlays are: $3.3 billion in 1988, $4.8 billion in 1989, $5.2 billion in 1990, $5.6 billion in 1991, and $6.1 billion in 1992.

ADDENDUM TO TABLE 1.—SUM OF TAX EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1988–1992

[Billions of dollars]

Fiscal year	Corporations	Individuals	Total
1988	62.0	259.1	321.1
1989	58.2	257.0	315.2
1990	61.3	274.4	335.7
1991	63.4	292.2	355.6
1992	66.6	311.2	377.8

Note: These totals represent merely the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in table 1. The limitations on the use of the totals is explained in the text.

Table 2.—Distribution by Income Class of All Returns, Taxable Returns, Itemized Returns, and Tax Liability, at 1988 Law and 1988 Income Levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	All returns [3]	Taxable returns	Itemized returns		Tax liability
			Total	Taxable	
Below $10	39,289	7,153	706	274	632
$10 to $20	30,000	19,653	2,917	2,151	18,493
$20 to $30	22,271	19,732	5,778	5,237	39,649
$30 to $40	15,155	14,505	6,667	6,485	43,450
$40 to $50	9,250	9,103	5,519	5,424	40,448
$50 to $75	9,084	9,002	6,997	6,870	71,006
$75 to $100	2,193	2,185	1,871	1,856	29,754
$100 to $200	1,946	1,928	1,834	1,798	49,047
$200 and over	685	682	650	644	77,158
Total	**129,873**	**83,943**	**32,939**	**30,738**	**369,636**

---

[1] Tax law as in effect on January 1, 1988, is applied to the 1988 level and sources of income and their distribution among taxpayers. Excludes individuals under age 16.

[2] The income concept used to place tax returns into income classes is adjusted gross income plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside build-up on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes filing and nonfiling units. Filing units include all taxable and nontaxable returns. Examples of nonfiling units include dependents with earned or unearned income and individuals with income that is exempt from Federal income taxation (*e.g.*, transfer payments, interest from tax-exempt bonds, etc.).

Note: Detail may not add to total due to rounding.

Table 3.—Distribution of Selected Individual Tax Expenditure Items by Income Class, at 1988 Rates and 1988 Income levels [1]

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Medical deduction		Real estate tax deduction	
	Returns	Amount	Returns	Amount
Below $10	102	18	99	6
$10 to $20	883	190	1,612	135
$20 to $30	1,319	320	4,371	530
$30 to $40	1,230	404	5,720	753
$40 to $50	731	266	5,025	949
$50 to $75	546	358	6,496	2,208
$75 to $100	114	163	1,763	967
$100 to $200	97	316	1,631	1,262
$200 and over	14	127	507	592
Total	**5,036**	**2,161**	27,225	7,401

Footnotes at end of table.

Table 3.—Distribution of Selected Individual Tax Expenditure Items by Income Class, at 1988 Rates and 1988 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	State and local income tax deduction		Home mortgage interest deduction	
	Returns	Amounts	Returns	Amounts
Below $10	142	4	165	30
$10 to $20	1,732	135	2,209	628
$20 to $30	4,487	664	5,277	2,135
$30 to $40	5,582	1,104	6,269	3,004
$40 to $50	4,785	1,578	5,158	3,626
$50 to $75	5,863	3,692	6,614	8,546
$75 to $100	1,624	1,868	1,728	3,623
$100 to $200	1,501	3,311	1,603	4,001
$200 and over	468	3,698	560	2,133
Total	26,185	16,053	29,583	27,726

Footnotes at end of table.

Table 3.—Distribution of Selected Individual Tax Expenditure Items by Income Class, at 1988 Rates and 1988 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Deductibility of nonmortgage interest in excess of investment income		Charitable contributions deduction		Casualty loss deduction	
	Returns	Amount	Returns	Amount	Returns	Amount
Below $10	120	4	104	2	2	0
$10 to $20	1,685	84	1,626	81	60	25
$20 to $30	4,529	307	4,687	375	79	41
$30 to $40	5,675	485	6,008	649	40	29
$40 to $50	4,809	528	5,117	913	10	3
$50 to $75	6,203	1,281	6,721	1,976	17	34
$75 to $100	1,568	492	1,789	905	8	7
$100 to $200	1,361	667	1,697	1,871	4	6
$200 and over	421	536	542	3,092	1	15
Total	**26,371**	**4,385**	**28,291**	**9,865**	**221**	**161**

Footnotes at end of table.

Table 3.—Distribution of Selected Individual Tax Expenditure Items by Income Class at 1988 Rates and 1988 Income Levels [1]—Continued

[Money amounts in millions of dollars, returns in thousands]

Income class (thousands) [2]	Child care credit		Earned income credit [3]	
	Returns	Amount	Returns	Amount
Below $10	80	20	2,925	2,040
$10 to $20	1,040	426	7,101	3,533
$20 to $30	1,978	841	1,109	389
$30 to $40	2,043	870	155	66
$40 to $50	1,537	623	34	15
$50 to $75	1,383	541	12	8
$75 to $100	218	78	0	0
$100 to $200	137	51	0	0
$200 and over	20	8	0	0
Total	8,436	3,458	11,336	6,052

Footnotes to Table 3:

[1] Excludes individuals under age 16.

[2] The income concept used to place tax returns into income classes is adjusted gross income plus (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) inside build-up on life insurance, (4) workers' compensation, (5) nontaxable social security benefits, (6) deductible contributions to individual retirement accounts, (7) the minimum tax preferences, and (8) net losses, in excess of minimum tax preferences, from passive business activities.

[3] Includes the refundable portion of the earned income credit.

Note: Detail may not add to total due to rounding.

Spending and Credit Recommendations

This section provides details on the Committee's spending and credit recommendations for each of the 21 functional areas of the budget. Each functional section contains the following material:

—A listing of the major national needs addressed by Federal activities in the function.

—A table showing the baseline used by the Committee in arriving at its spending recommendations for the function, the Committee's recommendations, the President's budget, and an illustrative sequester for 1988.

—A narrative explanation of the Committee's spending and credit recommendations for each function.

—An explanation of the Committee's reconciliation recommendations in the function.

—A table showing the Committee's reconciliation recommendations.

—A table showing historical spending information for the function.

BASELINE SPENDING

The "baseline" used in this plan has been prepared by the Congressional Budget Office (CBO) using the economic forecast contained in the CBO annual report to the Budget Committee released in February 1987. The baseline dollar amounts differ in some cases from the amounts shown in the CBO annual report because of later technical information available to CBO.

The baseline for all spending functions is the level that would occur if existing programs and policies were continued unchanged through the projection period with all programs adjusted for inflation so that existing real levels of activity are maintained. The baseline for the National Defense function also assumes no real growth.

The baseline includes mandatory supplementals for 1987, but does not include the President's rescission proposals, policy deferrals, or discretionary supplementals for 1987.

COMMITTEE RECOMMENDATION

Estimates of the Committee recommendation have been prepared by CBO in a manner consistent with the baseline.

PRESIDENT'S BUDGET

In all numerical tables and in the text "President's budget" unless otherwise noted refers to the President's budget *as* reestimated by CBO, based on the CBO economic forecast and the latest technical information.

1988 ILLUSTRATIVE SEQUESTER

Entries have been included on summary tables for each function to show estimates of reductions from a 1988 sequester if one were invoked (i.e., if Congress fails to reduce the 1988 deficit to $108 billion before the start of the fiscal year as required by the Balanced Budget and Emergency Deficit Control Act). These estimates, which were prepared by CBO, are shown for illustrative purposes and are subject to significant revision over the next several months as the result of legislative actions, changes in the economic outlook and other factors. (These estimates are *not* averages of OMB and CBO estimates.)

Table 1 shows aggregate budget totals for the baseline, the Committee recommendation, the President's budget, and an illustrative 1988 sequester.

Table 1

BUDGET TOTALS

[In billions of dollars]

	1988	1989	1990	1991
CBO REVISED BASELINE				
Budget authority	1,178.5	1,256.9	1,328.2	1,422.4
Outlays	1,071.1	1,126.3	1,187.8	1,248.4
Revenues	900.5	962.0	1,051.0	1,138.9
Deficit	−170.7	−164.3	−136.7	−109.5
(Debt subject to limit)	2,619.1	2,891.6	3,145.3	3,381.1
COMMITTEE RECOMMENDATION				
Budget authority	1,157.8	1,220.8	1,270.7	1,343.7
Outlays	1,052.7	1,092.3	1,132.8	1,171.3
Revenues	919.0	985.5	1,074.5	1,171.4
Deficit	−133.7	−106.8	−58.3	+0.1
(Debt subject to limit)	2,585.8	2,805.5	2,986.7	3,120.2
PRESIDENT'S BUDGET				
Budget authority	1,153.4	1,225.5	1,294.8	1,365.1
Outlays	1,039.7	1,086.8	1,137.3	1,183.1
Revenues	905.4	969.1	1,058.8	1,146.9
Deficit	−134.3	−117.7	−78.5	−36.2
(Debt subject to limit)	2,590.7	2,827.0	3,037.5	3,218.9
1988 ILLUSTRATIVE SEQUESTER				
Budget authority	1,082.4	1,150.6	1,213.0	1,296.4
Outlays	1,008.5	1,038.1	1,082.1	1,128.8
Revenues	900.5	962.0	1,051.0	1,138.9
Deficit	−108.0	−76.1	−31.1	+10.1
(Debt subject to limit)	2.561.1	2,750.1	2,903.6	3,025.7

Function 050: NATIONAL DEFENSE

SUMMARY

Function 050 covers the military and civilian operations of the Department of Defense and includes the military applications of atomic energy and civil defense programs, the stock-piling of strategic materials and the Selective Service System. The function also includes the research, development, and investment programs necessary to continue the modernization of the armed forces and pay allowances for 2 million military and 1 million civilian personnel.

FUNCTION 050 NATIONAL DEFENSE

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	302.7	316.3	330.6	345.8
	O	290.5	303.4	317.1	332.2
Committee recommendation	BA	289.0	294.8	297.6	301.1
	O	283.6	288.0	292.0	296.0
President's budget	BA	311.8	332.0	353.0	374.4
	O	298.3	312.6	331.1	349.8
1988 illustrative sequester	BA	251.0	262.6	274.6	287.5
	O	260.4	261.1	267.8	278.7
COMPARISONS					
Committee recomendation compared to:					
CBO baseline	BA	−13.7	−21.5	−33.0	−44.7
	O	−6.9	−15.4	−25.1	−36.2
President's budget	BA	−22.8	−37.2	−55.4	−73.3
	O	−14.7	−24.6	−39.1	−53.8
1988 illustrative sequester	BA	+38.0	+32.2	+23.0	+13.6
	O	+23.2	+26.9	+24.2	+17.3

FUNCTION 050 RECONCILIATION

[In billions of dollars]

Committee/program		1988	1989	1990	1991
Armed Services:					
Military pay	BA				
	O	−919	−3,227	−5,543	−8,399
Governmental Affairs:					
DOD civilian pay	BA				
	O	−202	−1,348	−2,541	−4,014
DOD civilian within grade delay	BA				
	O	−171	−399	−560	−703
Total, function 050	BA				
	O	−1,292	−4,974	−8,644	−13,116

FUNCTION 050 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Military personnel	47.9	55.2	60.9	64.2	67.8	71.5
Operation and maintenance	51.9	59.7	64.9	67.4	72.3	75.3
Procurement	35.2	43.3	53.6	61.9	70.4	76.5
Research and development	15.3	17.7	20.6	23.1	27.1	32.3
Atomic energy defense activities	3.4	4.3	5.2	6.1	7.1	7.4
All other	3.8	5.1	4.7	4.7	8.0	10.4
Total function	157.5	185.3	209.9	227.4	252.7	273.4
Percent growth over previous year:						
Nominal	9	18	13	8	11	8
Real	0	11	9	4	7	5

COMMITTEE RECOMMENDATION

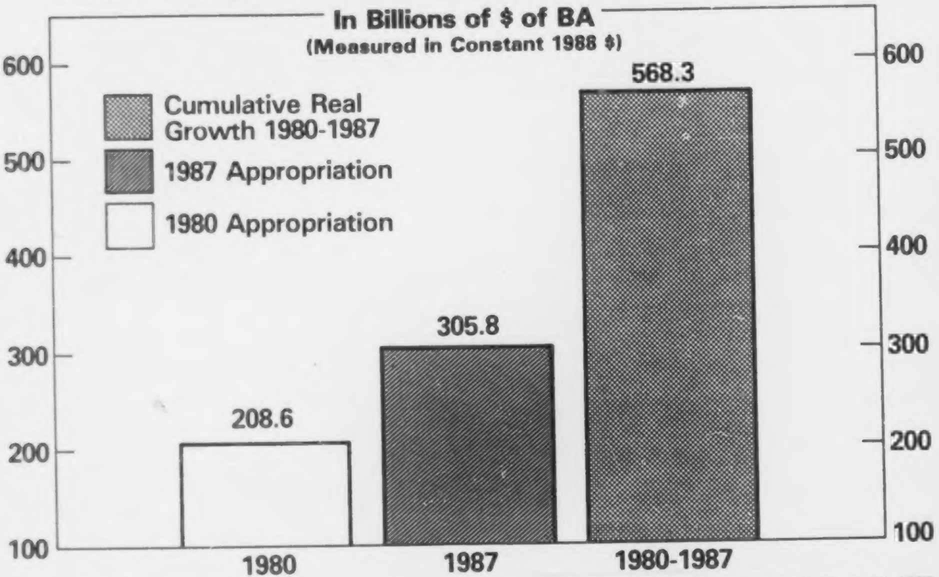
The national defense function funds the research, production and operations of systems which equip the personnel who provide for the common defense of the United States and her allies. In so doing, the Department of Defense employs 2 million military personnel and 1 million civilian workers in over 580 major military installations and the Pentagon. It also funds more than 1,200 military construction projects annually.

In summary, the DOD is the largest business in the western world. To quote the President's Blue Ribbon Commission on Defense Management, "Annual purchases by the DOD total almost $170 billion, more than the combined purchases of IBM, General Motors, and the Exxon Corporation."

The Committee's analysis of the President's defense budget began with an historical look at what we spent and what we accomplished. The data indicates that, using fiscal year 1980 as a zero real growth baseline, we have accumulated more than $568 billion in real growth in overall DOD budget authority between 1980 and 1987. (See chart 1, *1980–1987 Cumulative Real Growth in Defense Budget.*) In addition, the annual funding base for defense has been raised by nearly $100 billion in real terms.

CHART 1

1980-1987 Defense Budget
$568 Billion in Cumulative Real Growth



Source: DOD

Senate Budget Committee Staff, March 14, 1987

Table 1 *(1980–1987 U.S. Force Structure)* uses aggregate DOD measures to show the changes in force structure that have resulted from the buildup of the last decade. A review of this data reveals that the record of accomplishments is mixed. In only 2 of the 10 categories shown—total strategic nuclear weapons and total deployable naval battle forces—can we see significant increases over the 1980 levels. Three categories—uniformed military personnel, Army divisions, and Navy/Marine tactical fighter squadrons—increased marginally. The change in Army divisions from 16 to 18 is a result of the Army creating two light divisions from other existing units.

The remaining five categories in chart 2 have not changed since 1980 or have experienced marginal decreases. These categories are land-based ballistic missiles, submarine launched ballistic missiles, strategic bombers, Marine divisions, and Air Force tactical air squadrons.

As a result, the data indicate that the current administration has accepted the basic force structure premise of several recent administrations. The large increases in defense cited above have, in general, not gone for greater numbers of systems, squadrons, and personnel; instead this growth in funding has gone to two areas—increased capability and/or increased costs.

TABLE 1.—U.S. FORCE STRUCTURE

Active Forces	1980	1987	Percent + or −
Uniformed Personnel (thousands)	2,050	2,174	+6.1
Strategic Forces:			
Ballistic Missiles (land)	1,052	1,000	−4.9
Ballistic Missiles (submarine)	576	528	−8.3
Bombers	376	292	−22.3
Total Weapons	9,500	[1] 12,000	[1] +26.3
Conventional Forces:			
Land Forces—			
Army Divisions	16	18	+12.5
Marine Divisions	3	3	
Tactical Air Forces—			
Air Force Squadrons	79	79	
Navy/Marine Corps Squadrons	85	92	+8.2
Ships—Deployable Battle Forces	479	569	+18.8

[1] This increase results from additional Multiple Independently Targeted Reentry Vehicles.

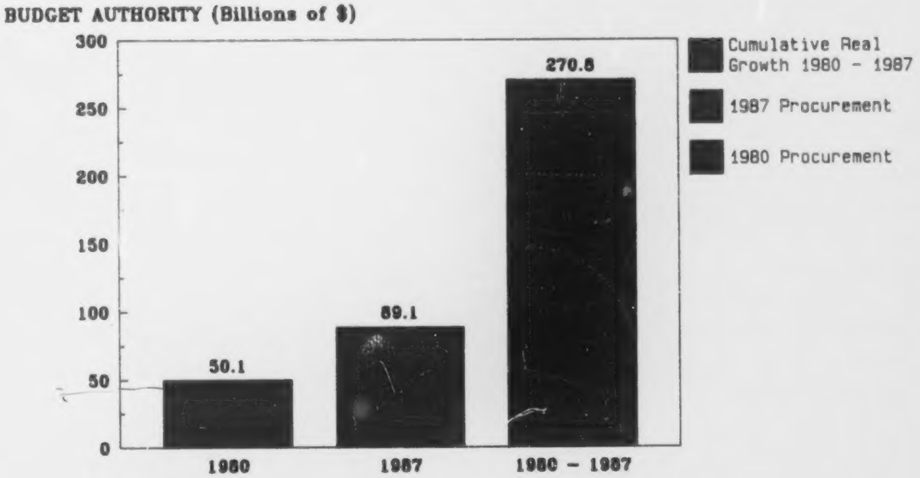
Source: Congressional Budget Office from Department of Defense data.

Chart 2 *(1980–1987 Cumulative Real Growth in DOD Procurement)* details the increases in the procurement budget that have occurred since 1980. As this chart illustrates the procurement account has accumulated over $271 billion in real growth, or nearly half of the overall DOD total of $568 billion cited in chart 1. Since 1980, the annual funding base for procuring weapons systems has grown in real terms by 78 percent, or $39.1 billion.

As a result, we bought twice the number of M–1 tanks and Bradley fighting vehicles, twice the number of attack submarines and major warships and 15,000 more tactical missiles in 1987, as we did in 1980.

CHART 2

1980 – 1987 DOD PROCUREMENT ACCOUNT
$271B IN CUMULATIVE REAL GROWTH

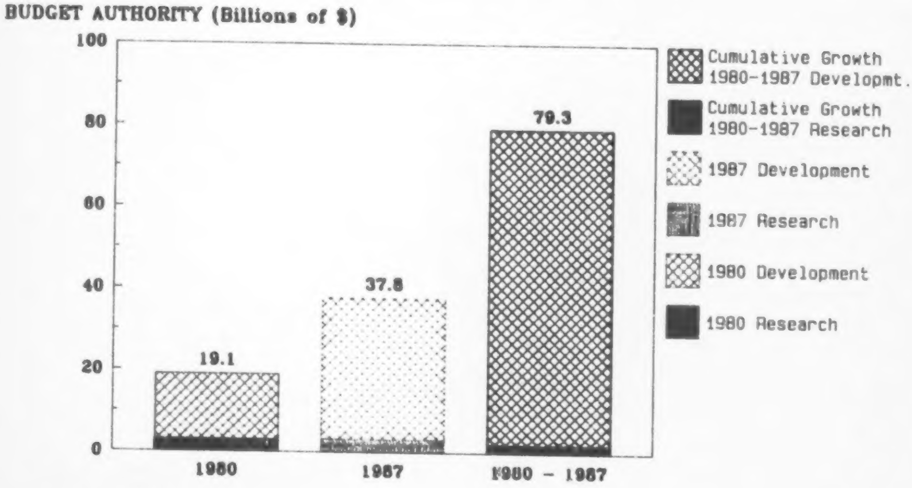


Senate Budget Committee Staff
Measured in Constant $1988
March 14, 1987

Chart 3 *(1980–1987 Cumulative Real Growth in DOD R&D)* examines the research and development account in the DOD budget. As the chart illustrates, the R&D account has experienced approximately $79 billion in cumulative real growth since 1980. The annual funding base has nearly doubled from roughly $19 billion in 1980 to about $38 billion in 1987. These facts make R&D the fastest growing major account in the defense budget.

CHART 3

1980 – 1987 DOD R & D ACCOUNT
$79B IN CUMULATIVE REAL GROWTH



Senate Budget Committee Staff
Measured in Constant $1988
March 14, 1987

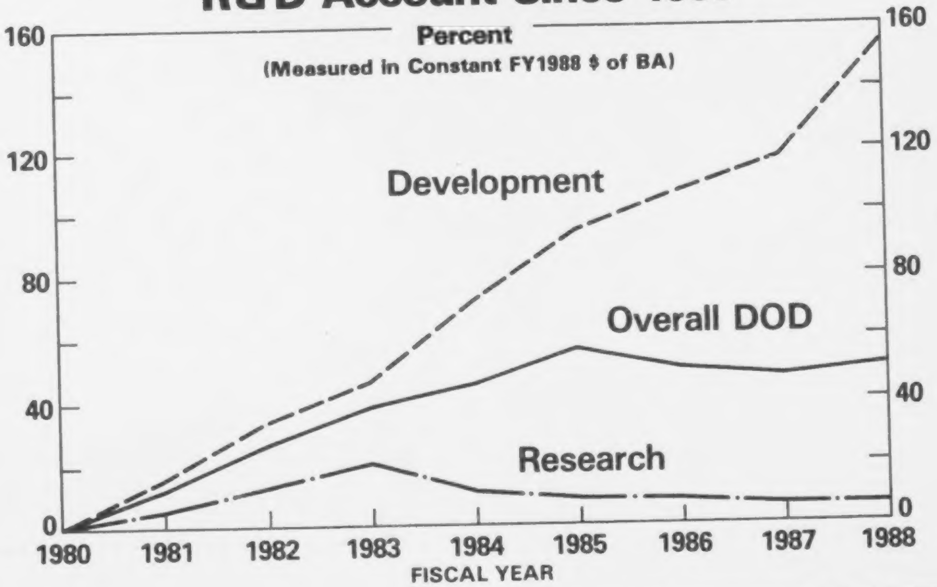
Furthermore, as the data in chart 4 *(Research versus Development in DOD R&D Account Since 1980)* indicates, the amount in the R&D account devoted to "basic research" has remained roughly even in real terms between 1980 and 1987, despite the significant increases in total R&D during this period as discussed above. While basic research increased only marginally, the weapon system development portion of R&D increased by 153 percent since 1980.

In summary, the R&D account has doubled since 1980 with the major share of this growth directed toward development of new and more expensive weapons systems. Basic research has experienced little if any growth.

As David Packard noted in his recent appearance before the Committee, there has been a significant shift in the U.S. economy away from heavy industries toward service industries. Consequently, Packard observed that, "knowledge is now the most important element of our economy." Paradoxically, however, he indicated that the level of basic research in this country peaked in the mid-1960's and since then we have been carried along on that investment. Packard stated that an increased level of research is needed to provide a strong impetus to the U.S. economy.

CHART 4

Research *vs* Development in DOD R&D Account Since 1980



Source: DOD

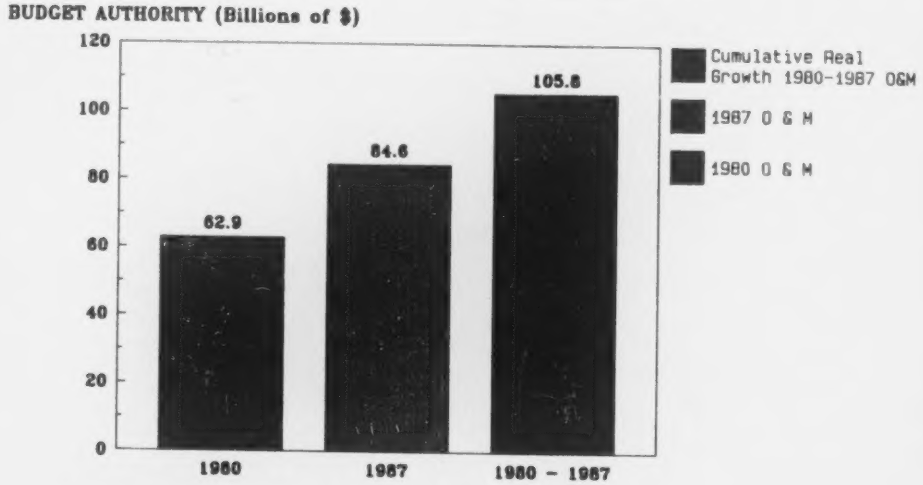
Senate Budget Committee Staff, March 3, 1987

The next major DOD account we examined was operations and maintenance (O&M). Approximately 40 percent of the O&M account is used to fund the 1 million civilian personnel within the Department of Defense. The remaining 60 percent is used to purchase spare and repair parts through the DOD stock fund inventories and to hire contractors to perform functions such as depot maintenance and real property maintenance.

Chart 5 *(1980–1987 Cumulative Real Growth in DOD O&M)* illustrates that the cumulative real growth in the O&M account since 1980 has been nearly $106 billion. The annual funding base in real terms has grown by $22 billion since 1980 to roughly $85 billion by 1987.

CHART 5

1980 – 1987 DOD O & M ACCOUNT
$106B IN CUMULATIVE REAL GROWTH



Senate Budget Committee Staff
Measured in Constant $1988
March 14, 1987

1988 Defense Budget

The President's budget for 1988 requested $312 billion in new budget authority for the Department of Defense. This represents an increase of $23 billion in budget authority and $18 billion in outlays from the level in 1987. The Committee recommendation freezes budget authority at 1987 levels while allowing growth of $3 billion in outlays.

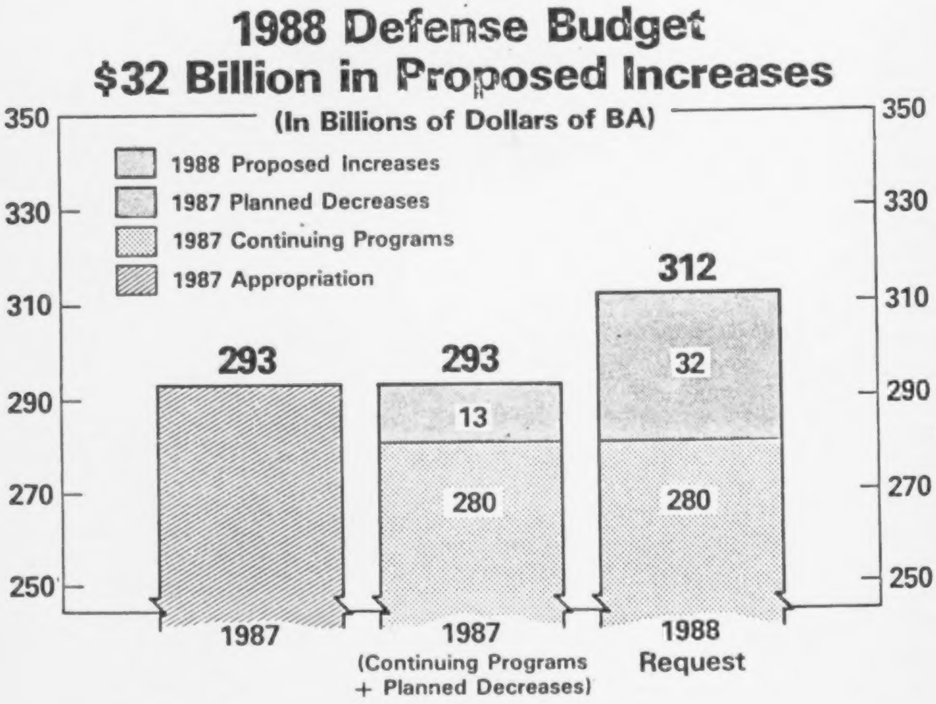
By contrast, CBO estimates that a sequester would reduce the President's request by more than $60 billion in budget authority and $38 billion in outlays. A sequester represents a reduction of $33 billion in budget authority below the 1987 level.

In an attempt to look below this topline comparison and capture the changing nature of the defense budget, the Committee asked CBO to review the range of changing programs below the topline and calculate the programmatic increases and decreases between 1987 and 1988. (See chart 6, *1988 Defense Budget $32 Billion in Proposed Increases.*)

At a level of detail commensurate with the data available when the analysis was conducted, CBO's examination revealed that within the $293 billion appropriated level for 1987, roughly $13 billion in various DOD programs are scheduled to be completed or reduced between 1987 and 1988. Examples of programs where procurement was completed in 1987 include the Army's C–12 cargo plane, the Navy's SH-2F Seasprite helicopter and the Air Force's C-5B transport plane.

These planned decreases indicate that a continuing program level would amount to approximately $280 billion. Consequently, the President's $312 billion request for 1988 actually contains $32 billion in new program starts or increases in existing programs. Procurement new starts include such systems as the Air Force's C-17 air transport and advance procurement money for two new aircraft carriers.

CHART 6



Senate Budget Committee Staff/Congressional Budget Office, January 10, 1987

The Committee budget level would require some tough and perhaps overdue choices to be made. Over the last 6 years, the administration has approved over 90 percent of the new starts that have been requested by the services. Without thorough research and testing, many of these systems, which include the B-1 bomber, the AMRAAM missile, and DIVAD, have encountered problems provoking serious criticism.

Having not yet completed the broadest and deepest weapons modernization program in the Nation's history, we are poised to initiate another one. As a result, we are set to start production on two new land based ICBMs, a new air transport, two new aircraft carriers, a new attack submarine, two new fighters, two new helicopters, a helicopter variant, a new air-launched cruise missile incorporating stealth technology, and a series of new tactical missiles.

This list does not include classified estimates of two of the most expensive programs in the defense budget—the advanced technology bomber and the early deployment of the SDI. The most modest systems architectures of an early SDI deployment would dwarf all the systems listed above. At a time of such fiscal duress, the Committee believes it is appropriate that we pause and consider our options.

The Congressional Budget Office has concluded that $5.4 billion could be saved this year, and over $32 billion over the next 5 years if planned new starts were deferred until 1990.

In recent years, those forced to allocate between defense programs have raised concerns over the ratio of budget authority to outlays in reference to defense reductions from the President's proposed levels. Accordingly, a ratio in the range of 40 percent is thought to allow the most flexibility in apportioning reductions to both the fast spending development and operations accounts and the slower spending procurement accounts.

Adopting such a ratio this year presents a difficult problem. The President's budget reduces procurement and accompanying systems production rates. A lower ratio would encourage further reductions in these accounts. Unless choices can be made among production programs, further reductions in these accounts could result in even lower production rates.

The Committee would recommend that the Authorization and Appropriations Committees continue to use where possible non-programmatic reductions similar to those illustrated in table 2 *(Reductions in Total Obligation Authority From the Administration's Procurement Request)* when they reflect true financial adjustments and savings, not accounting gimmicks. This table based on CBO data illustrates that significant savings were made in the procurement accounts between 1985–87 as a result of non-programmatic reductions.

Furthermore, over the past 3 years more than $13 billion has been saved or reallocated by making use of prior year inflation savings. While it is difficult to determine at this point in the year how much will be available, recent history indicates that over $4 billion a year has been recovered.

In summary, the Committee would assign the highest priority to military personnel, basic research, conventional weapons programs built at economic production rates and readiness related operations programs.

TABLE 2.—REDUCTIONS IN TOTAL OBLIGATIONAL AUTHORITY FROM THE ADMINISTRATION'S PROCUREMENT REQUEST

[By fiscal year, in billions of dollars]

	1985 [1]	1986 [2]	1987 [3]
Total Reductions	12.70	17.50	9.50
Reductions With No Change:			
In Major Items Procured	4.10	7.00	2.19
Inflation reductions	(1.30)	(3.40)	(1.06)
Profit policy reductions	(......)	(......)	(.44)
Specific program reductions	(2.80)	(3.60)	(.69)
Other Reductions [4]	8.60	10.50	7.31

[1] Numbers are based on comparison of the budget request for 1985 with the 1985 column of the 1987 request. Thus, this column includes changes made during execution of the 1985 budget.

[2] Numbers are based on comparisons of the budget request for 1986 with the 1986 column of the 1988 request. Thus, this column includes changes made during execution of the 1986 budget.

[3] Numbers are based on comparisons of the budget request for 1987 with the 1987 column of the 1988 budget request.

[4] This represents the difference between the total reductions and the reduction with no change in major items procured for each year.

Source: Congressional Budget Office based on Department of Defense budget documents.

IMPROVEMENTS IN DOD ACQUISITIONS, PLANNING, AND BUDGETING

Since 1981, a number of commissions and distinguished experts have reviewed the defense acquisition process. The Committee's review of the recommendations is reflected in table 3 (*Suggested Improvements to DOD Acquisition Process*). While there were more than 30 of the so-called Carlucci initiatives, the core of then Deputy Secretary of Defense Carlucci's recommendations were very similar to those of the Packard Commission in 1986. This suggests that there is significant progress yet to be made in the improvement of this process. More importantly, implicit in all the studies has been the presumption that a more efficient Department of Defense could achieve more with less.

TABLE 3.—SUGGESTED IMPROVEMENTS TO DOD ACQUISITION PROCESS

Carlucci Recommendations (1981)	President's Blue Ribbon Commission/Packard Recommendations (1986)
1. "Streamline the DOD Acquisition Process"	1. "Streamline Acquisition Organization and Procedures".
2. "Provide Adequate 'Front End' Funding for Test Hardware".	2. "High Priority on Building and Testing Prototype Systems".
3. "Increase Program Stability" (Multi-year procurement and Economic Production Rates).	3. "Stabilize Programs" (Multi-year procurement and Economic Production Rates).
4. "Develop and Use Standard, Off-the-Shelf Subsystems and/or Support Systems".	4. "Make Greater Use of Components, Systems and Services Available Off-the-Shelf".
5. "Examine Evolutionary Alternatives Which Use a Lower Risk Approach to Technology Rather than Solutions at the Frontier of Technology".	5. "Balance Cost and Performance . . . using State of the Art Technology only when the Benefits of the New Technology offset the Concomitant Risks".
"The acquisition process has been studied too many times by many organizations. Most of the recommendations presented here have been made before. However, few of these recommendations have been implemented. This plan will not succeed without a well planned, intensive, high visibility, relentless implementation phase. Without this effort, this report will degenerate into another study."—Frank Carlucci (1981).	"All of our analysis leads us unequivocally to the conclusion that the defense acquisition system has basic problems that must be corrected. All too many of our weapon systems cost too much, take too long to develop, and, by the time they are fielded, incorporate obsolete technology."—Packard Commission (1986).

In July 1985, President Reagan organized his Blue Ribbon Commission on Defense Management to conduct a study of the current U.S. defense management and organization. The Commission concluded that budgeting based on strategy and operational concepts instead of line items, "would enhance the congressional role in framing good national security policy."

Lt. Gen. Glenn A. Kent, USAF (ret.), in a recent appearance before the Committee, echoed the Blue Ribbon Commission's major theme and presented a framework designed to improve the existing flawed defense planning and budgeting process in a manner consistent with the Commission's recommendations. The Committee believes that if we are to balance our national priorities and continue to improve our defense posture, we must implement a more rational defense planning and budgeting process, encourage a more thoughtful debate and therefore make better reasoned decisions on how much we need to spend and the best allocation of those resources we appropriate.

Function 150: INTERNATIONAL AFFAIRS

SUMMARY

Function 150 covers the international affairs programs, including foreign aid loans and technical assistance activities, security assistance to foreign governments, U.S. contributions to international organizations, the P.L. 480 Food for Peace Program, U.S. contributions to multilateral financial institutions, funding for U.S. embassies and missions abroad, international broadcast and exchange activities, and the Export-Import Bank loan program.

FUNCTION 150 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	17.5	23.2	20.0	20.2
	O	16.8	16.4	16.5	15.6
Committee recommendation	BA	15.8	20.3	16.0	15.3
	O	15.8	14.3	13.3	11.3
President's budget	BA	19.5	20.3	20.7	20.3
	O	16.6	17.0	17.3	16.3
1988 illustrative sequester	BA	13.3	18.9	15.5	15.5
	O	14.3	13.2	12.6	11.2
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−1.8	−3.0	−4.0	−4.9
	O	−1.0	−2.0	−3.2	−4.3
President's budget	BA	−3.8	0.0	−4.7	−5.0
	O	−0.8	−2.7	−3.9	−5.0
1988 illustrative sequester	BA	+2.5	+1.4	+0.5	−0.2
	O	+1.5	+1.1	+0.7	+0.1

COMMITTEE RECOMMENDATION

The Committee recommends $15.8 billion in budget authority and $15.8 billion in outlays for this function in 1988.

Almost 80 percent of this function is foreign aid. Since 1979, outlays for foreign aid have almost doubled. The remaining 20 percent of this function consists of other international activities, including the conduct of foreign affairs, foreign broadcasting and exchange activities, and export financing. Outlays for these activities have grown by over 75 percent since 1979.

The Committee's recommendation assumes the 1988–91 program levels for the discretionary appropriated accounts are set at the 1987 level. In addition, the Committee assumes an overall reduction in foreign aid outlays of less than 3 percent. Committees of jurisdiction could choose to consolidate and reduce less effective economic and military assistance programs, particularly those with large unobligated or unexpended balances, to achieve these savings. The Committee assumes that these reductions could be incorporated without reducing the level of assistance to those countries covered by the Camp David accords.

The Committee assumes a 10-percent reduction in funding for State Department manpower and foreign information and exchange programs. A 2-year hiatus in new building construction programs is also assumed.

The Committee also assumes additional savings in financial activities in this function, such as reduction of the Export-Import Bank Loan Program or other programs, which could be offset by alternatives, such as a mixed credit "war chest".

The Committee's recommendation is $800 million below the President's request in 1988 outlays. However, the President's request also includes $800 million in Export-Import Bank loan sales. The Committee recommendation is $1.5 billion above a sequestration in 1988 outlays.

FUNCTION 150 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	7.3	7.6	7.9	8.2
	LG	9.2	9.5	9.9	10.4
	SLG	0.3	0.3	0.3	0.3
Committee recommendation	DL	6.0	5.8	5.7	5.7
	LG	9.0	9.4	9.8	10.2
	SLG	0.3	0.3	0.3	0.3

FUNCTION 150 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Foreign economic and financial assistance	4.1	3.8	4.0	4.5	5.4	5.0
International security assistance	5.1	5.4	6.6	7.9	9.4	10.5
Conduct of foreign affairs	1.3	1.6	1.8	1.9	2.1	2.3
Foreign information and exchange	0.5	0.6	0.6	0.7	0.8	0.9
Program subtotal	11.0	11.4	13.0	15.0	17.7	18.7
Percent growth over previous year:						
Nominal	7	4	14	15	18	6
Real	−2	−3	10	11	14	3
Financial programs	2.0	0.9	−1.1	0.9	−1.5	−4.5
Total function	13.1	12.3	11.8	15.9	16.2	14.2

Function 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

SUMMARY

Function 250 covers the NASA's space science and space flight activities, as well as the Nation's basic science and general research programs, including budgets for the National Science Foundation and the high energy physics research programs in the Department of Energy.

FUNCTION 250 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	10.6	11.0	11.6	12.1
	O	10.7	11.5	11.9	12.2
Committee recommendation	BA	11.5	13.7	15.2	15.8
	O	11.2	13.1	14.8	15.5
President's budget	BA	11.5	12.9	13.5	14.1
	O	11.2	12.8	13.7	14.1
1988 illustrative sequester	BA	9.7	10.1	10.5	11.0
	O	9.0	9.8	10.8	11.1
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	+0.9	+2.7	+3.6	+3.7
	O	+0.5	+1.6	+2.9	+3.3
President's budget	BA	....	+0.8	+1.7	+1.7
	O	....	+0.4	+1.1	+1.4
1988 illustrative sequester	BA	+1.8	+3.6	+4.7	+4.8
	O	+2.2	+3.3	+4.0	+4.4

COMMITTEE RECOMMENDATION

The Committee recommends $11.5 billion in budget authority and $11.2 billion in outlays for this function in 1988.

The Committee held extensive hearings on science, space, and technology issues, reviewing the role of general science, basic and applied research programs on the economic health of the Nation. Witnesses were unanimous in recommending significant increases in the Nation's science programs as a means of developing and sustaining economic power.

To this end, the Committee assumes additional funding to revitalize key science, space, and technology programs, in order to meet the Nation's competitiveness needs. The Committee assumes additional funding for the general science and basic research programs of the National Science Foundation (NSF), sufficient to allow the NSF budget to double within 5 years. Increases are also assumed for the Department of Energy's high energy physics program.

The Committee assumes funding for two major new science initiatives, the manned space station and the superconducting supercollider. The Committee assumes that funding for these programs will be in addition to the funding levels available for ongoing NASA activities and energy research programs being conducted by the Department of Energy. The Committee notes with interest proposals to offset some of the future supercollider costs through greater international participation in the program, but would want to see assurances of "symmetrical access" to other nation's scientific facilities and other measures to ensure that the competitive advantage of the United States was not lost.

The Committee assumes additional funding to allow NASA to absorb the continuing impact of the loss of the space shuttle *Challenger.* NASA will require these resources to maintain ongoing space science programs and play a greater role in development of new expendable launch vehicles, including the proposed heavy lift vehicle. The Committee also notes the need to protect some level of new starts for NASA space science programs in order to maintain the Nation's scientific expertise in these areas.

The Committee recommendation is $27 million higher than the President in 1988 budget authority to accommodate a more realistic level of funding for the space station program.

The Committee also notes with interest proposals to establish a science and technology trust as one way to provide a long-term, continuing and self-generating base of funding to continue and enhance scientific research and student assistance.

FUNCTION 250 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
General science	1.5	1.6	1.6	1.8	2.0	2.2
NASA space flight	5.0	5.6	6.3	6.5	6.6	6.8
Total function	6.5	7.2	7.9	8.3	8.6	9.0
Percent growth over previous year:						
Nominal	12	11	10	5	4	5
Real	3	4	6	1	0	2

Function 270: ENERGY

SUMMARY

Function 270 covers the civilian energy programs. This includes energy supply, research, and development and regulatory programs of the Department of Energy (DOE), credit programs of the Rural Electrification Administration (REA), and the energy activities of the Tennessee Valley Authority (TVA) and the Nuclear Regulatory Commission (NRC).

FUNCTION 270 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	5.4	6.3	6.4	6.5
	O	5.4	5.3	5.5	5.5
Committee recommendation	BA	4.8	5.4	5.0	4.6
	O	4.8	4.2	4.3	3.9
President's budget	BA	2.5	3.6	3.8	4.2
	O	3.3	2.6	2.7	2.6
1988 illustrative sequester	BA	2.2	2.9	2.9	2.9
	O	3.6	2.7	2.3	2.1
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−0.6	−0.9	−1.4	−1.9
	O	−0.6	−1.1	−1.2	−1.6
President's budget	BA	+2.3	+1.8	+1.2	+0.4
	O	+1.5	+1.6	+1.6	+1.3
1988 illustrative sequester	BA	+2.6	+2.5	+2.1	+1.7
	O	+1.2	+1.5	+2.0	+1.8

COMMITTEE RECOMMENDATION

The Committee recommends $4.8 billion in budget authority and $4.8 billion in outlays for this function in 1988. This level represents an increase of $2.3 billion in budget authority and $1.5 billion in outlays over the President's request and $2.6 billion in budget authority and $1.2 billion in outlays over a sequester budget.

The Committee recommends debt repayment reform in the Federal Power Marketing Administrations and Uranium Enrichment Programs. The President's budget recommends similar reforms.

The Committee also recommends the imposition of Rural Electrification Administration (REA) fees and prepayment of REA direct loans. Prepayment of REA guaranteed loans is assumed and the additional savings are treated as revenues. By contrast, the President's budget proposes to phase out REA direct lending programs by 1990 and assumes the sale of $1 billion in direct loan assets.

The Committee recommends increased cost recovery for the Nuclear Regulatory Commission. The President's budget contains a similar proposal.

The Committee recommends full funding for a Clean Coal/Clean Air technology initiative in 1988 and 1989 consistent with the administration's request levels.

The Committee's plan allows a continued 75,000 barrel per day fill rate for the Strategic Petroleum Reserve and full facilities construction. The President's budget would reduce the fill rate to 35,000 barrels per day. The effect of the slower fill rate under the President's plan would be to delay final completion of the reserve by 9 years.

Finally, the Committee recommendation includes funding for energy efficiency projects as part of the economic power budget. The President's budget would reduce research programs by 41 percent.

FUNCTION 270 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	2.1	2.3	2.4	2.4
	LG	+(*)	+(*)	+(*)	+(*)
Committee recommendation	DL	2.1	2.1	2.1	2.1
	LG	7.3	+(*)	+(*)	+(*)

*Less than $50 million.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 270 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
AGRICULTURE					
REA direct loan prepayment	BA	−98	−98	−96	−93
	O	−98	−98	−96	−93
REA fees	BA	−32	−32	−32	−32
	O	−32	−32	−32	−32
Contributions:					
REA guaranteed loan prepayment		−7,200			
ENERGY AND NATURAL RESOURCES					
Power marketing	BA		−138	−128	−147
	O		−438	−413	−414
ENVIRONMENT AND PUBLIC WORKS					
NRC fees	BA	−150	−152	−153	−153
	O	−150	−152	−153	−153
Total, function 270	BA	−280	−420	−409	−425
	O	−7,480	−720	−694	−692

FUNCTION 270 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Energy supply	4.5	3.4	3.4	2.6	1.1	2.2
TVA	2.0	1.6	0.9	0.3	0.9	0.8
REA	4.7	4.5	3.0	2.0	1.5	0.4
Naval petroleum reserve receipts	−1.0	−1.3	−1.2	−1.6	−0.8	−0.6
Energy conservation	0.7	0.5	0.5	0.5	0.5	0.5
Strategic petroleum reserve	3.3	3.9	1.9	2.5	1.8	0.6
Energy information, policy, and regulation	1.0	0.9	0.9	0.8	0.7	0.8
Total function	15.2	13.5	9.4	7.1	5.7	4.7
Percent growth over previous year:						
Nominal	49	−11	−30	−24	−20	−18
Real	36	−17	−33	−27	−23	−20

Function 300: NATURAL RESOURCES AND ENVIRONMENT

SUMMARY

Function 300 covers the natural resources and environment programs including a variety of Federal agencies, concerned with the development and management of the Nation's water, mineral, timber, and other resources; management of national parks, forests, refuges, and other public lands; and protection of the environment.

FUNCTION 300 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	16.5	17.5	18.3	18.7
	O	15.5	16.9	18.5	18.8
Committee recommendation	BA	16.0	16.5	16.9	16.8
	O	15.1	16.2	17.3	17.2
President's budget	BA	14.1	15.1	15.1	14.4
	O	14.1	15.3	15.9	15.5
1988 illustrative sequester	BA	11.6	13.0	13.0	13.2
	O	12.5	12.5	13.2	13.3
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−0.5	−1.0	−1.4	−1.9
	O	−0.4	−0.7	−1.2	−1.6
President's budget	BA	+1.9	+1.4	+1.8	+2.4
	O	+1.0	+0.9	+1.4	+1.7
1988 illustrative sequester	BA	+4.4	+4.5	+5.3	+5.5
	O	+2.6	+4.5	+5.3	+5.5

COMMITTEE RECOMMENDATION

The Committee recommends $16.0 billion in budget authority and $15.1 billion in outlays for this function in 1988. This represents a $1.9 billion increase in budget authority and a $1.0 billion increase in outlays from the President's proposal. Similarly, the Committee recommendation represents a $4.4 billion increase in budget authority and a $2.6 billion increase in outlays from sequester levels.

The Committee recognizes the critical importance of environmental programs and of the environmental dimension of the budget. Recommendations in this function reflect this commitment.

The Committee recommends modest increases above 1987 levels for Environmental Protection Agency (EPA) programs (including Superfund and enforcement) and the Land and Water Conservation Fund. The President's budget proposed a 14-percent cut in the Superfund Program and a 17-percent reduction in sewage treatment grants funding. The President also proposes a moratorium on land acquisition purchases under the Land and Water Conservation Fund.

The Committee recommendation assumes 1987 funding levels for soil and water conservation programs. The President's proposal would reduce soil and water conservation programs by 40 percent and terminate the Agricultural Conservation Program, Water Bank and Forestry Incentives Programs.

The Committee recommends additional user fees to recover the cost of EPA programs (also contained in the President's budget) and increased grazing fees. The Committee also recommends continuation of recreation user fees at the levels established in the 1987 continuing resolution. The Committee recommendation assumes accommodation of pending legislation that would exempt certain recreational sites from the user fee proposal. By contrast, the President proposes an increase in recreation user fees above those agreed to in the continuing resolution and the imposition of new fees on Forest Service lands.

The Committee also recommends reforms in the Bureau of Reclamation and onshore oil and gas leasing programs, which will increase cost recovery and Federal receipts, and reductions in the Forest Service roads budget.

Finally, the Committee recommends elimination of the Saltonstall-Kennedy fund, which would result in a slight reduction in overall funding for the National Oceanic and Atmospheric Administration.

FUNCTION 300 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	0.1	0.1	0.1	0.1
Committee recommendation	DL	0.1	0.1	0.1	0.1

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in the implementation of the Committee recommendation described above.

FUNCTION 300 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
ENERGY AND NATURAL RESOURCES					
Bureau of Reclamation	BA	−45	−45	−45	−45
	O	−45	−45	−45	−45
Competitive leasing	BA	−30	−30	−30	−30
	O	−30	−30	−30	−30
Grazing fees	BA	−8	−11	−11	−11
	O	−8	−11	−11	−11
Recreation user fees	BA	−18	−19	−20	−21
	O	−18	−19	−20	−21
COMMERCE					
Sec. 32 (NOAA share)	BA	−54	−54	−54	−54
	O	−36	−51	−53	−53
ENVIRONMENT AND PUBLIC WORKS					
EPA user fees	BA	−40	−43	−45	−46
	O	−40	−43	−45	−46
Total, function 300	BA	−195	−202	−205	−207
	O	−177	−199	−204	−206

FUNCTION 300 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Water resources	3.9	3.8	3.7	3.9	3.8	3.8
Conservation programs	0.8	0.8	0.8	0.8	0.9	0.8
Public lands management	1.9	2.0	2.0	1.9	2.0	2.0
Land acquisition	0.5	0.3	0.3	0.3	0.4	0.2
Management of recreational and wildlife resources	1.1	1.1	1.1	1.3	1.3	1.3
EPA construction grants	3.9	3.8	3.0	2.6	2.9	3.1
Superfund		0.1	0.1	0.3	0.4	0.4
EPA research and regulatory programs	1.3	1.1	1.2	1.1	1.0	1.3
NOAA	0.8	0.8	0.9	0.9	1.0	1.2
Other programs and receipts	−0.5	−0.8	−0.4	−0.6	−0.2	−0.6
Total function	13.6	13.0	12.7	12.6	13.4	13.6
Percent growth over previous year:						
Nominal	−2	−4	−2	−1	6	2
Real	−10	−10	−6	−4	3	−1

Function 350: AGRICULTURE

SUMMARY

Function 350 covers the agriculture programs, including the commodity price support, crop insurance, Farmers Home Administration, agricultural loans, agricultural research, extension service, animal and plant health protection, and agricultural economic data collection and dissemination programs.

FUNCTION 350 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	30.9	31.8	28.6	24.6
	O	30.0	28.0	25.3	22.8
Committee recommendation	BA	29.2	30.1	25.5	22.2
	O	28.4	26.2	22.3	20.3
President's budget	BA	25.7	27.0	22.5	17.6
	O	24.9	23.3	19.3	15.2
1988 illustrative sequester	BA	28.8	29.1	27.9	24.0
	O	27.7	25.3	24.7	22.1
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−1.7	−1.7	−3.1	−2.4
	O	−1.6	−1.8	−3.0	−2.5
President's budget	BA	+3.5	+3.1	+3.0	+4.6
	O	+3.5	+2.9	+3.0	+5.1
1988 illustrative sequester [1]	BA	+0.4	+1.0	−2.4	−1.8
	O	+0.7	+0.9	−2.4	−1.8

[1] Sequester budget appears higher than the Committee's recommendation in 1990–91 due to special scoring rules for Commodity Credit Corporation programs.

COMMITTEE RECOMMENDATION

The Committee recommends $29.2 billion in budget authority and $28.4 billion in outlays for this function in 1988. This level represents an increase of $3.5 billion in budget authority and outlays over the President's request and $0.7 billion in outlays over a sequester level. Due to special scoring rules for the Commodity Credit Corporation programs, a portion of the savings resulting from the 1988 sequester appear in 1989. Thus, the net effect of the Committee's recommendation is an increase of $2.6 billion over a sequester budget for 1988 and 1989.

The Committee recommends a package of reforms in the Commodity Credit Corporation (CCC) programs. Reductions of $8.1 billion are assumed over 4 years (1988–91). These savings are less than half the President's recommended reduction levels for CCC programs.

While no specific policy assumptions are made, the Committee believes that reductions can be achieved without a major restructuring of farm programs or reductions in target prices. Illustrative savings may involve changes in the farm benefits system, including tightening the payment limitation and limiting the ability of farmers to reconstitute to avoid the payment limitation. In addition, fine tuning adjustments to price support policies such as loan rate modifications, may be considered. It is the intent of the Committee that such reductions not result in the abrogation of existing contracts.

The President's budget achieves over 90 percent of its savings in the farm price support programs by reducing target prices (which serve as the major income support mechanism for farmers) and prohibiting advanced deficiency payments. The Committee rejected this approach.

The Committee recommends level funding for the agricultural credit programs. By contrast, the President's budget would phase out Farmer's Home farm ownership and operating loan programs, beginning in 1989.

The Committee also recommends continuation of the agricultural research and services programs at 1987 levels. No user fees are assumed. The President's budget would reduce both the Agricultural Extension Service and the Cooperative State Research Service by 25 percent and impose new user fees to recover the costs of the Animal and Plant Health Inspection Service and other agricultural programs.

The Committee recommends funding to support low input agriculture programs as part of the economic power budget.

Finally, the Committee urges the appropriate committees to explore the impact of using surplus agriculture commodities as barter for goods, services, minerals, and strategic materials purchased by the United States in foreign nations.

FUNCTION 350 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	17.5	16.2	15.1	14.3
	LG	8.5	9.1	9.3	9.4
Committee recommendations	DL	17.5	16.2	15.0	14.2
	LG	8.5	9.0	9.0	9.0

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 350 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
AGRICULTURE PROGRAMS					
Farm programs	BA	−1,600	−1,600	−2,800	−2,100
	O	−1,600	−1,600	−2,800	−2,100
Total, function 350	BA	−1,600	−1,600	−2,800	−2,100
	O	−1,600	−1,600	−2,800	−2,100

FUNCTION 350 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
CCC farm price supports	4.0	11.7	18.8	7.4	17.7	25.8
Other farm income stabilization	5.8	2.6	2.5	4.5	6.1	3.8
Agricultural research and services	1.5	1.6	1.6	1.7	1.8	1.8
Total function	11.3	15.9	22.9	13.6	25.6	31.4
Percent growth over previous year:						
Nominal	28	41	44	−41	88	23
Real	17	32	38	−43	82	19

Function 370: COMMERCE AND HOUSING CREDIT

SUMMARY

Function 370 covers commerce and housing credit programs, including Farmers Home Administration (FmHA) rural housing programs, elderly and handicapped housing, Federal Housing Administration (FHA) mortgage insurance programs, the Small Business Administration, Federal Savings and Loan Insurance Corporation (FSLIC), and other programs involving advancement and promotion of commerce.

FUNCTION 370 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	13.1	13.0	16.2	13.7
	O	8.3	5.8	7.5	5.6
Committee recommendation	BA	12.2	12.4	15.4	12.8
	O	7.5	5.4	6.8	4.8
President's budget	BA	11.7	10.0	12.1	9.7
	O	4.3	1.4	2.7	0.2
1988 illustrative sequester	BA	10.8	10.4	13.5	11.0
	O	6.9	3.8	5.0	2.9
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−0.9	−0.6	−0.8	−0.9
	O	−0.8	−0.4	−0.7	−0.8
President's budget	BA	+0.5	+2.4	+3.3	+3.1
	O	+3.2	+4.0	+4.1	+4.6
1988 illustrative sequester	BA	+1.4	+2.0	+1.9	+1.8
	O	+0.6	+1.6	+1.8	+1.9

COMMITTEE RECOMMENDATION

The Committee recommends $12.2 billion in budget authority and $7.5 billion in outlays for this function in 1988. The President recommends $11.7 in budget authority and $4.3 billion in outlays in 1988. A sequestration would result in $10.8 billion in budget authority and $6.9 billion in outlays.

Starting in 1988, the Committee generally assumes that the discretionary appropriated accounts in this function will remain at the 1987 level, except for those discussed below. The President's budget proposes termination of Small Business Administration direct loans, section 202 elderly and handicapped housing, existing FmHA rural housing programs, and Federally funded postal subsidies for preferred rate mailers (except for the blind and certain overseas voters). The President's budget also proposes significant loan asset sales. A 1988 sequestration would reduce program levels in this function by approximately 20 percent below a discretionary freeze level.

The Committee assumes some form of market value recovery by the Federal Communications Commission of $600 million in offsetting receipts from the licensing of the unassigned spectrum. The Committee further assumes that this cost recovery does not apply to public safety, amateur use, or mass media. The President proposes the auction of the unassigned spectrum to the highest bidder.

The Committee assumes that the "equal rate" method of calculating the appropriation for postal subsidies, adopted in the language approved by Congress last year in reconciliation, will be applied beginning in 1988. This assumption results in no increase in nonprofit mailers rates. The President proposes termination of federally funded postal subsidies for preferred rate mailers, except for $72 million for the blind and for certain overseas voters. The President's proposals for the Postal Service would result in an increase of 1 cent over the Congressional Budget Office's projected general rate increase.

The Committee assumes that Farmers Home Administration (FmHA) rural housing programs will be maintained at 1987 program levels. The President proposes termination of existing FmHA rural housing programs, rescissions of 1987 program funding, and further loan asset sales from the rural housing loan portfolio. A 1988 sequestration would reduce program levels by approximately 20 percent from a freeze level.

The Committee assumes Small Business Administration loan programs will be maintained at 1987 levels within the current program structure. The President proposes termination of direct loans for small businesses, increased fees for loan guarantees and technical assistance, transfer of the Minority Business Development Agency to the Small Business Administration, and sale of general business loans. A 1988 sequestration would reduce program levels by approximately 20 percent from a freeze level.

The Committee assumes the baseline increase in the Federal Housing Administration guaranteed annual loan limit to a commitment level of $103.6 billion. The Committee also assumes the baseline increase in the Government National Mortgage Adminstration secondary loan guarantee annual limit to a commitment level of $156.0 billion. The President recommends an increase in the Federal Housing Administration fees from 3.8 percent to approximately 5 percent, which will increase closing costs to the typical homebuyer by $800. A 1988 sequestration would reduce program levels by approximately 20 percent from a discretionary freeze level.

The Committee assumes that section 202 housing for the elderly and handicapped is maintained at 1987 funding levels. The President proposes the shift of 2,000 1987 housing units to 1988 and the termination of the program. A 1988 sequestration would reduce program levels by approximately 20 percent from a freeze level.

The Committee assumes budget authority of $105 million in 1988 to fund a variety of existing and new commerce and trade development initiatives.

FUNCTION 370 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	4.1	4.4	4.5	4.7
	LG	91.8	94.1	99.2	103.9
	SLG	100.3	97.6	94.3	90.7
Committee recommendation	DL	4.0	4.1	4.1	4.1
	LG	91.6	93.9	98.8	103.4
	SLG	100.3	97.6	94.3	90.7

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 370 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
COMMERCE					
FCC unassigned spectrum	BA	−600			
	O	−600			
Total, function 370	BA	−600			
	O	−600			

FUNCTION 370 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Rural housing programs	3.9	4.0	3.6	3.4	4.0	3.2
Financial institutions insurance and regulation	−1.4	−2.1	−1.3	−0.6	−2.2	1.0
Government National Mortgage Association	1.1	1.5	0.9	0.6	−0.8	−1.1
FHA mortgage insurance	0.2	−0.2	−0.2	−0.4	−0.7	−1.7
Housing for the elderly and handicapped	0.8	0.7	0.8	0.7	0.5	0.5
Postal Service	1.4	0.2	1.1	1.2	1.4	0.8
Small business assistance	0.9	1.1	1.1	0.9	1.0	0.7
Other advancement of commerce	1.2	1.0	0.6	1.0	1.1	1.1
Total function	8.2	6.3	6.7	6.9	4.2	4.4
Percent growth over previous year:						
Nominal	−13	−23	6	3	−39	5
Real	−20	−28	2	−1	−41	2

Function 400: TRANSPORTATION

SUMMARY

Function 400 covers transportation programs, including Federal-aid highways, mass transit programs, Amtrak, the FAA and its associated activities, airport development, the Coast Guard, and Maritime Administration (MARAD).

FUNCTION 400 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	29.7	30.5	31.5	32.6
	O	28.8	29.4	30.1	30.9
Committee recommendation	BA	29.1	29.3	30.0	30.7
	O	28.1	27.7	27.4	27.3
President's budget	BA	24.9	24.8	24.9	25.8
	O	27.0	26.4	26.1	26.1
1988 illustrative sequester	BA	23.0	23.9	24.7	25.4
	O	26.4	25.0	24.3	24.4
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−0.6	−1.2	−1.5	−1.9
	O	−0.6	−1.7	−2.7	−3.6
President's budget	BA	+4.2	+4.5	+5.1	+4.9
	O	+1.1	+1.3	+1.3	+1.2
1988 illustrative sequester	BA	+6.1	+5.4	+5.3	+5.3
	O	+1.7	+2.7	+3.1	+2.9

COMMITTEE RECOMMENDATION

The Committee assumes $29.1 billion in budget authority and $28.1 billion in outlays for this function in 1988. The President proposes $24.9 billion in budget authority and $27.0 billion in outlays. A 1988 sequestration would result in $23.0 in budget authority and $26.4 billion in outlays.

Starting in 1988, the Committee generally assumes that the discretionary appropriated accounts in this function will remain at their 1987 levels. The President's budget proposes a major reduction (57 percent) in mass transit programs and elimination of Amtrak operating subsidies and sale of income-producing properties along Amtrak's Northeast Corridor. A 1988 sequestration would reduce program levels by approximately one-fifth, or 20 percent, from a discretionary freeze level.

The Committee assumes continuation of mass transit and highway programs at levels assumed in the 1987 Budget Resolution, imposition of certain user fees, and a reduction in Amtrak operating subsidies. These assumptions achieve program savings and offsetting receipts that result in a $530 million reduction in 1988 outlays. In contrast, the President proposes a 57-percent reduction in mass transit programs. A 1988 sequestration would reduce program levels by approximately 20 percent from a discretionary freeze.

The Committee assumes that an additional $150 million will be available to fund priority activities in ground and air transportation, as well as for Coast Guard and Federal Aviation Administration activities.

FUNCTION 400 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	0.4	0.2	0.2	0.2
Committee recommendation	DL	0.4	0.2	0.2	0.2

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 400 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
COMMERCE:					
Coast Guard user fees	BA	−276	−276	−276	−275
	O	−276	−276	−276	−275
Total, function 400	BA	−276	−276	−276	−275
	O	−276	−276	−276	−275

FUNCTION 400 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Federal-aid highways	8.8	7.8	8.7	10.2	12.8	14.0
Grants to Amtrak	0.9	0.7	0.7	2.0	0.8	0.7
Financial assistance to Conrail	0.2	+(*)				
Northeast corridor rail project	0.2	0.3	0.3	0.2	0.2	0.1
Urban mass transit programs	3.9	3.9	3.8	3.8	3.4	3.3
FAA operations	2.3	2.1	2.5	2.6	2.7	2.7
Airport/airways (trust fund) programs	0.8	0.7	0.8	1.1	1.5	1.9
NASA aeronautical research programs	0.5	0.6	0.6	0.6	0.6	0.6
Maritime construction and operating subsidies	0.5	0.6	0.5	0.4	0.4	0.3
Coast Guard operations and acquisitions	1.5	1.7	2.0	2.1	2.1	2.1
All other	3.8	2.2	1.4	0.7	1.3	2.4
Total function	23.4	20.6	21.3	23.7	25.8	28.1
Percent growth over previous year:						
Nominal	10	−12	3	11	9	9
Real	1	−17	−1	7	5	6

*Less than $50 million.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

SUMMARY

Function 450 covers the community and regional development programs, including the Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG), Appalachia Regional Commission (ARC), Economic Development Administration (EDA), Rural Development Insurance Fund programs, the Rural Telephone Bank, and Small Business Administration (SBA) disaster loans.

FUNCTION 450 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	7.9	8.0	8.2	8.2
	O	6.8	6.7	7.0	7.2
Committee recommendation	BA	6.9	6.8	6.8	6.5
	O	6.7	6.2	6.0	5.9
President's budget	BA	5.6	5.6	5.7	5.8
	O	5.2	4.5	4.4	4.6
1988 illustrative sequester	BA	6.3	6.0	6.1	6.0
	O	6.1	5.7	5.3	5.2
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−1.0	−1.2	−1.4	−1.7
	O	−(*)	−0.4	−1.0	−1.3
President's budget	BA	+1.3	+1.2	+1.1	+0.7
	O	+1.5	+1.7	+1.6	+1.3
1988 illustrative sequester	BA	+0.6	+0.8	+0.7	+0.5
	O	+0.6	+0.5	+0.7	+0.7

COMMITTEE RECOMMENDATION

The Committee recommends $6.9 billion in budget authority and $6.7 billion in outlays for this function in 1988. The President recommends $5.6 billion in budget authority and $5.2 billion in outlays for 1988. A 1988 sequestration would reduce funding levels for this function to $6.3 billion in budget authority and $6.1 billion in outlays.

Starting in 1988, the Committee assumes that the discretionary appropriated accounts in this function will generally remain at the 1987 level. In this function, this means that programs are frozen for 3 years at the 1987 program level, except for those discussed below. The President assumes rescissions, terminations, and/or phaseouts in the following programs: Urban development action grants, housing development action grants, rental rehabilitation grants, section 312 rehabilitation loans, section 108 guaranteed loans, rural water and waste disposal grants, rural telephone bank capital stock purchases and direct lending, rural development insurance fund direct and guaranteed lending, Economic Development Administration grants and direct lending, Appalachian Regional Development programs, and Tennessee Valley Authority non-power programs. The President also proposes asset sales in this function, including Small Business Administration disaster loans and section 312 rehabilitation loans. A 1988 sequestration would reduce program levels in this function by approximately one-fifth, or 20 percent, from a discretionary freeze.

The Committee assumes a 10-percent reduction in funding for the Urban Development Action Grant Program. The President proposes rescissions in 1987 funding and termination in 1988 of the Urban Development Action Program. A 1988 sequestration would reduce program levels in this function by approximately 20 percent from a discretionary freeze.

The Committee assumes a 25-percent reduction for the Community Development Block Grant Program in 1988. The Administration proposes a $375 million rescission in 1987 funding and a reduction to $2.6 billion (from $3.0 billion) in 1988 and beyond for this program. A 1988 sequestration would reduce program levels in this function by approximately one-fifth, or 20 percent, from discretionary a freeze.

FUNCTION 450 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	1.1	1.1	1.1	1.2
	LG	0.3	0.3	0.3	0.4
Committee recommendation	DL	1.1	1.1	1.1	1.1
	LG	0.3	0.3	0.3	0.3

FUNCTION 450 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Community development block grants	4.0	3.8	3.6	3.8	3.8	3.3
Urban development action grants	0.4	0.4	0.5	0.5	0.5	0.5
Other community development programs	0.7	0.4	0.3	0.2	0.3	0.3
Economic Development Administration	0.4	0.3	0.2	0.2	0.3	0.3
Local public works program	0.1	+(*)	+(*)	+(*)	+(*)	+(*)
Other area and regional development programs	3.3	3.5	2.9	2.8	2.8	2.6
SBA disaster loans	1.1	−0.3	−0.4	−0.4	−0.3	−0.2
Other disaster assistance programs	0.6	0.2	0.4	0.5	0.2	0.6
Total function	10.6	8.3	7.5	7.6	7.6	7.2
Percent growth over previous year:						
Nominal	−6	−22	−10	1	0	−5
Real	−14	−26	−13	−2	−4	−8

*Less than $50 million.

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

SUMMARY

Function 500 programs promote the general extension of knowledge and skills, and assist individuals to become self-supporting members of society. These include: elementary, secondary, vocational, and postsecondary education; employment and training programs; and grants to States to provide social and rehabilitative services to children, families, the elderly, and other needy persons.

FUNCTION 500 SPENDING PROJECTS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	34.3	36.1	37.4	38.9
	0	32.6	34.7	36.4	37.9
Committee recommendation	BA	35.1	36.0	37.2	38.8
	0	32.8	35.2	36.4	37.8
President's budget	BA	29.1	28.3	27.8	27.6
	0	28.5	28.8	27.9	27.8
1988 illustrative sequester	BA	28.0	29.8	30.9	32.1
	0	30.3	29.4	30.1	31.3
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	+0.8	−0.1	−0.2	−0.1
	0	+0.2	+0.5	....	−0.1
President's budget	BA	+6.0	+7.7	+9.4	+11.2
	0	+4.3	+6.4	+8.5	+10.0
1988 illustrative sequester	BA	+7.1	+6.2	+6.3	+6.7
	0	+2.5	+5.8	+6.3	+6.5

COMMITTEE RECOMMENDATION

The Committee recommends $35.1 billion in budget authority and $32.8 billion in outlays for this function in 1988.

The Committee recommendation rejects the President's proposed cuts of 45 percent in Federal student financial assistance and assumes increases for the Pell Grant Program. In addition, the Committee rejects the proposed elimination of vocational education.

The Committee, acknowledging education's critical role in assuring this country's intellectual, economic, and cultural future, recommends a net budget authority increase of $1.5 billion over a 1987 freeze for education programs. The Committee believes $2.0 billion for high priority education programs and innovative initiatives could be accommodated if other programs are curtailed somewhat.

The Committee assumes $600 million to finance worker training and retraining programs for dislocated and disadvantaged workers, and for welfare recipients. Futhermore, the Committee assumes $150 million in 1988 budget authority for a child care initiative. This program would provide vital support to AFDC-recipient mothers working to become self-sufficient. Funding of both initiatives would be held as part of a contingency reserve to be released upon reporting of relevant legislation.

The Committee recommends an increase of $100 million in 1988 budget authority to provide remedial education for Job Corps participants as required in the Job Training Partnership Act Amendments of 1986.

The Committee is cognizant of pending job skills legislation which may receive consideration by appropriate committees of authorization. Should such legislation be approved, the Committee would consider adjustments to outyear spending.

The Committee assumes that most other discretionary programs would be frozen at the 1987 funding level.

The Committee assumes the elimination of the Work Incentive Program in anticipation of new authorizations in welfare reform legislation. Additional job training savings are assumed as the Federal and State and local governments continue refining their roles in preparing a more efficient, better trained work force.

FUNCTION 500 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	1.6	1.6	1.6	1.7
	LG	9.1	9.1	9.2	9.2
Committee recommendation	DL	1.7	1.7	1.8	1.8
	LG	9.1	9.1	9.2	9.2

FUNCTION 500 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Compensatory education	3.4	3.0	2.6	3.1	4.2	3.4
Education for the handicapped	1.0	1.1	1.3	1.0	1.0	1.6
Vocational education	0.7	0.8	0.7	0.7	0.7	1.0
Other elementary, secondary education	1.9	1.9	1.8	1.7	1.7	1.8
Guaranteed student loans	2.3	3.0	2.6	3.2	3.5	3.3
Other student assistance	4.5	3.5	4.6	4.2	4.7	5.1
Training and employment services	8.8	5.3	5.0	4.3	4.7	5.1
WIN	0.4	0.2	0.3	0.3	0.3	0.2
Social services block grant (Title XX)	2.6	2.6	2.5	2.8	2.7	2.7
Other social services	3.9	3.3	3.6	4.4	4.0	4.6
All other	4.2	2.3	1.6	1.9	1.8	1.8
Total function	33.7	27.0	26.6	27.6	29.3	30.6
Percent growth over previous year:						
Nominal	6	−20	−1	4	6	4
Real	−3	−25	−5	0	2	2

Function 550: HEALTH SERVICES AND RESEARCH

SUMMARY

Function 550 covers health programs other than Medicare and Veterans, including Medicaid, State grants for health services and prevention, biomedical research, Indian health, Federal retiree health benefits, health education and training, and consumer and occupational health and safety.

FUNCTION 550 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	44.5	48.4	52.6	56.9
	O	44.1	48.2	52.1	56.3
Committee recommendation	BA	44.6	47.9	51.7	55.9
	O	44.0	47.9	51.4	55.4
President's budget	BA	43.5	44.3	45.7	47.4
	O	40.8	42.5	44.5	46.7
1988 illustrative sequester	BA	41.3	45.1	49.2	53.3
	O	42.1	45.2	48.9	52.9
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	+0.1	−0.5	−0.9	−1.0
	O	−0.1	−0.3	−0.7	−0.9
President's budget	BA	+1.1	+3.6	+6.0	+8.5
	O	+3.2	+5.4	+6.9	+8.7
1988 illustrative sequester	BA	+3.3	+2.8	+2.5	+2.6
	O	+1.9	+2.7	+2.5	+2.5

COMMITTEE RECOMMENDATION

The Committee recommends $44.6 billion in budget authority and $44.0 billion in outlays for this function in 1988.

The Committee recommendation rejects the President's proposed cut of $1.3 billion in the Medicaid Program of health insurance for the poor and assumes modest funding for new initiatives to combat infant mortality, promote increased economic security for low-income elderly, and provide for welfare to work transition incentives for employable recipients of Aid to Families with Dependent Children. The Committee recommendation assumes that these initiatives will be largely financed through Medicaid savings resulting from enactment of Medicare catastrophic legislation.

In general, the Committee recommendation assumes the program levels for discretionary appropriated accounts in this function are set at the 1987 level. Increases are recommended, however, to assure continued progress in biomedical research, to increase the national commitment to combatting AIDS, and to provide additional priority health services to low-income children, mothers and infants, and to the homeless.

In addition, the Committee assumes $50 million in 1988 budget authority in discretionary health services for teenagers as part of a welfare reform initiative.

The Committee assumes funding for drug abuse prevention activities as enacted last year.

The resolution specifically rejects the President's budget proposals for cuts in biomedical research, drug abuse prevention, and Indian health services, as well as the proposed elimination of programs for nurse training and other health professions training. Also rejected are proposed reductions in civil service and postal worker retiree health benefit plans.

The Committee assumes offsetting savings of $0.3 billion in budget authority and outlays through meat and poultry inspection and other service user fees.

The budget authority level provided in the resolution for health services and research is $3.3 billion above what would be available if a sequester occurred.

FUNCTION 550 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	+(*)	+(*)	+(*)	+(*)
	LG	0.3	0.3	0.3	0.4
Committee recommendation	DL	+(*)	+(*)	+(*)	+(*)
	LG	0.3	0.3	0.3	0.3

*Less than $50 million.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 550 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
LABOR AND HUMAN RESOURCES					
Service user fees	BA	−80	−110	−110	−110
	O	−80	−110	−110	−110
AGRICULTURE					
Meat and poultry fees	BA	−201	−204	−206	−206
	O	−201	−204	−206	−206
Total, function 550	BA	−281	−314	−316	−316
	O	−281	−314	−316	−316

FUNCTION 550 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Medicaid	16.8	17.4	19.0	20.1	22.7	25.0
Other health care services	4.4	4.4	4.0	4.4	4.3	3.8
Health research	3.8	3.9	4.0	4.4	4.9	5.4
Education and training of health care work force	0.8	0.7	0.6	0.4	0.5	0.5
Consumer and occupational health	1.0	1.0	1.1	1.1	1.2	1.2
Total function	26.9	27.4	28.6	30.4	33.5	35.9
Percent growth over previous year:						
Nominal	16	2	4	6	10	7
Real	6	−4	0	2	6	4

Function 570: MEDICARE

SUMMARY

Function 570 covers Medicare, including Part A hospital insurance, Part B supplemental medical insurance, and premiums paid by aged and disabled beneficiaries.

FUNCTION 570 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	93.4	103.2	114.2	125.2
	O	83.1	92.6	104.4	117.0
Committee recommendation	BA	93.3	102.7	113.3	123.9
	O	79.8	88.8	99.5	111.0
President's budget	BA	93.9	103.9	114.3	124.9
	O	78.0	86.5	94.5	103.7
1988 illustrative sequester	BA	93.4	103.2	114.2	125.2
	O	81.4	92.1	103.9	116.5
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−0.1	−0.5	−0.9	−1.4
	O	−3.3	−3.8	−4.9	−6.0
President's budget	BA	−0.6	−1.2	−1.0	−1.0
	O	+1.8	+2.3	+5.0	+7.3
1988 illustrative sequester	BA	−0.1	−0.5	−0.9	−1.3
	O	−1.6	−3.3	−4.4	−5.5

COMMITTEE RECOMMENDATION

The Committee recommends $93.3 billion in budget authority and $79.8 billion in outlays for this function in 1988.

The Committee recommendation assumes that new Medicare catastrophic insurance will be enacted. While the Committee does not recommend specific benefits or financing sources for inclusion in this initiative, the Committee does assume that legislation will be enacted on a deficit neutral basis. The resolution provides for a Medicare catastrophic insurance initiative reserve fund from which changes in outlays and budget authority, in amounts necessary to accommodate changes in function totals, will be allocated to the authorizing committee only upon reporting deficit neutral legislation. The amounts specified in the reserve fund reflect technical assumptions only about a range of changes which might be necessary to accurately reflect reported legislation.

The Committee recommendation also assumes that savings in the amount of $3.3 billion in 1988 and $18 billion over the 4-year budget period will be achieved through continued restraint and reform in Medicare payments to providers. The Committee notes that these savings are $1.8 billion less than those proposed by the President for 1988, and $16.4 billion less over the 4-year budget period. The Committee rejects the President's proposals to add to beneficiary out of pocket costs and recommends that savings be achieved without increasing beneficiary premiums, deductibles or delaying eligibility.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 570 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
FINANCE					
Medicare	BA				
	O	−3,300	−3,800	−4,900	−6,000
Total, function 570	BA				
	O	−3,300	−3,800	−4,900	−6,000

FUNCTION 570 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Hospital insurance	29.2	34.9	38.6	42.1	48.7	49.7
Supplementary medical insurance	13.2	15.6	18.3	20.4	22.7	26.2
Payments to HI, SMI (non-add)[1]	9.6	14.3	18.8	17.9	19.3	18.3
Medicare premiums	−3.3	−3.9	−4.3	−4.9	−5.6	−5.7
Total function	39.1	46.6	52.6	57.5	65.8	70.2
Percent growth over previous year:						
Nominal	22	19	13	9	14	7
Real	11	12	9	5	10	4

---

[1] Virtually all of this amount must be appropriated each year from general funds to make up the difference between premiums paid by beneficiaries and the total cost of the supplementary medical insurance portion of medicare.

Function 600: INCOME SECURITY

SUMMARY

Provides income support to individuals whose need arises from retirement, disability, unemployment, death, or low income.

FUNCTION 600 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	168.0	176.1	182.6	216.7
	O	131.4	138.8	144.4	153.6
Committee recommendation	BA	168.0	175.5	181.6	215.3
	O	129.9	137.0	142.3	151.1
President's budget	BA	162.1	170.2	176.7	194.0
	O	127.2	133.2	138.2	146.5
1988 illustrative sequester	BA	167.2	172.9	179.2	213.2
	O	129.2	137.3	142.4	151.4
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	....	−0.6	−1.0	−1.4
	O	−1.5	−1.8	−2.1	−2.5
President's budget	BA	+5.9	+5.3	+4.9	+21.3
	O	+2.7	+3.8	+4.1	+4.6
1988 illustrative sequester	BA	+0.8	+2.6	+2.4	+2.1
	O	+0.7	−0.3	−0.1	−0.3

COMMITTEE RECOMMENDATION

The Committee recommends $168.0 billion in budget authority and $129.9 billion in outlays for this function in 1988.

The Committee's recommendation assumes full cost-of-living adjustments and basic benefits in all retirement, disability, and insurance programs including Federal civilian and military retirement, black lung and special benefits for disabled coal miners, and railroad retirement and unemployment insurance.

The Committee notes that Federal Civil Service retirees have been asked to sacrifice their cost-of-living increases several times in recent years to aid deficit reduction efforts. The Committee wishes to make clear that it is assuming full cost-of-living increases and the full value of all basic benefits for all Civil Service retirees.

In addition, the Committee was concerned about the immediate elimination of the "3-year recovery rule" for civil service retirees in the last session of Congress with no provision for a phase-out period. Indeed, some retirees even lost the "3-year recovery rule" retroactively.

During the same session of Congress, provision was made to allow Federal retirees to receive, on the day of retirement, a lump-sum disbursement equal to the contributions they made while working. This option creates significant Federal outlays in the short-term, thus adding to Federal deficits in the next few years. The Committee urges the Senate Governmental Affairs Committee, to work with the Finance Committee to provide for an equitable phase-out of the 3-year recovery rule (rather than its immediate elimination) and to provide for an equitable phase-in of the "lump-sum option", and/or to link the "phase-out" and the "phase-in" policies. The Committee believes that this approach is fairer to the affected retirees as well as less costly to the Federal Government.

The Committee's recommendation assumes savings consistent with the objective of the variable-rate premium proposal which the Pension Benefit Guaranty Corporation has sent to Congress. The objective of the proposal is to restore solvency to the insurance fund administered by the Corporation.

The Committee is also concerned about the increase in liabilities the Pension Benefit Guaranty Corporation has had to assume in recent years from underfunded single-employer pension plans.

The Committee urges the Senate Finance and the Senate Labor and Human Resources Committees to consider legislation which would help prevent pension plans from becoming underfunded and move plans which are currently underfunded toward being fully funded. In addition, a variable-rate premium should provide incentives for full funding.

The Committee assumes a freeze at last year's program level for all discretionary accounts in this function except the Women, Infants and Children Supplemental Feeding Program (WIC) and the Commodity Supplemental Food Program. For WIC, the Committee assumes $150 million above the current services level in 1988. This will allow an additional 300,000 pregnant women, infants, and children to participate in the program. For 1989 and beyond, the Committee's recommendation assumes $50 million above the current services baseline. In addition the plan assumes the possibility that States will be able to negotiate advantageous contracts for infant formula directly with drug companies, so that at least $100 million in additional funds (net of administrative expenses) could be available for purchase of nutrition supplements. The Committee assumes funding at current services levels for the Commodity Supplemental Food Program.

To assist the homeless, the Committee's recommendation assumes funding sufficient to support the Emergency Food and Shelter Progam at $50 million above current services levels in all years. The Committee's proposal also assumes enactment of expanded funding for HUD homeless programs, including emergency shelter grants, transitional housing grants, and the section 8 existing and moderate rehabilitation programs.

As part of welfare reform, the Committee assumes the President's proposal to require that States set guidelines on the amount of a family's child support award and that courts use this guideline as a rebuttable presumption in the setting of awards. The Committee also assumes mandatory immediate wage withholding in child support cases. Other aspects of welfare reform dealing with employment and training, child care, Medicaid, and teen health are covered in function 500 (education, training, employment and social services) and function 550 (health).

Under current law, a portion of the funds from customs receipts is given to the Secretary of Agriculture, who has discretion to use these funds to purchase perishable commodities from any producer. The Committee's recommendation assumes elimination of this discretionary pot of money and rescission of the unobligated balances available to the Secretary. No changes in the Child Nutrition Program are assumed or suggested.

The President's budget eliminates the subsidy to "paid" students in the Child Nutrition Program. The Committee's recommendation assumes full current services funding.

The Committee's recommendation assumes $585 million more in budget authority than the President for the Low-Income Energy Assistance Program.

For rail pensions, the President's plan proposes a 1-year cost-of-living-adjustments (COLA) freeze and other outlay savings and revenue increases. The Committee's recommendation assumes current services for COLAs and all other outlays and does not make any revenue assumptions.

The Committee's recommendation assumes no COLA reductions or outlay savings proposed by the President for special benefits for disabled coal miners (or for black lung benefits). Also no specific assumptions for revenues are made. The President proposed an increase in the coal excise tax earmarked for the black lung trust fund.

The Committee's recommendation assumes none of the President's proposed savings for food stamps. The Committee's recommendation assumes full current services funding for nutrition assistance for Puerto Rico, rejecting the President's cut of $55 million.

The President *cuts* WIC $28 million below the current services level for budget authority. The Committee's recommendation *adds* $150 million above the current services level in budget authority.

The Committee's recommendation rejects the President's COLA cut for Civil Service retirees. The Committee recommends a "phase-out" of the 3-year recovery rule rather than its immediate elimination, and an equitable "phase-in" of the "lump-sum option", and/or a linkage of the "phase-out" and the "phase-in" proposals.

The President added $10 million in assistance in 1988 for the homeless. The Committee's recommendation assumes about $400 million of new budget authority emanating from the bipartisan plan passed by the Senate.

The Committee's recommendation rejects all of the President's proposals for family support assistance except the requirement of State guidelines for child support orders. The Committee's recommendation also assumes savings from implementation of mandatory immediate wage withholding for child support orders.

The Committee's recommendation rejects the President's proposal to transfer railroad unemployment to the State unemployment systems. Also a technical addition of budget authority is assumed; this addition results from a proposal in function 500 (education, training, employment and social services).

The President proposes to fund public housing operating subsidies at a level approximately $200 million below baseline. The Committee recommendation freezes operating subsidies.

The President proposes to reduce funding for assisted housing by $5.5 billion from the baseline. This reduction would be accomplished by almost a total shift to short-term vouchers and a reduction of roughly one-third from public housing modernization. The Committee's recommendation freezes assisted housing.

SEQUESTER

A sequester would cut several key discretionary programs in this function by 20 percent below the freeze level. For example, budget authority for low-income energy assistance would be reduced by about $400 million below the level in the Committee's recommendation. Under a sequester, public housing operating subsidies would be cut by over $300 million from a freeze, assisted housing would be cut by over 20,000 units from a freeze, and refugee assistance would be cut 20 percent below a freeze.

Railroad unemployment benefits, trade adjustment assistance and administrative costs for child support enforcement would also be reduced by about 20 percent.

The Women, Infants and Children Supplemental Feeding Program would be frozen, although exempt from sequestration *below* a freeze level. In contrast, the Committee has assumed funding at $150 million *above* current services levels for this program.

FUNCTION 600 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	+(*)	+(*)	+(*)	+(*)
Committee recommendation	DL	+(*)	+(*)	+(*)	+(*)

*Less than $50 million.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumption that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist the implementation of the Committee's recommendation, described above.

FUNCTION 600 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
FINANCE					
PBGC	BA				
	O	−911	−900	−913	−1,007
Child support guidelines	BA				
	O	−30	−110	−145	−160
GOVERNMENTAL AFFAIRS					
Contribution recovery		−712	−650	−615	−578
Total, function 600	BA				
	O	−1,653	−1,660	−1,673	−1,745

FUNCTION 600 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
General retirement and disability insurance (excl. Social Security)	5.4	5.6	6.7	5.4	5.6	5.3
Federal employee retirement and disability	31.3	34.3	36.5	38.1	38.6	41.4
Unemployment compensation	19.7	23.7	31.5	18.4	17.5	17.8
Housing assistance	7.8	8.7	10.0	11.3	25.3	12.4
Food and nutrition assistance	16.2	15.6	18.0	18.1	18.5	18.6
Other income security	19.4	19.8	21.1	21.4	22.7	24.4
Total function	99.7	107.7	123.7	112.7	128.2	119.8
Percent growth over previous year:						
Nominal	15	8	15	−9	14	−7
Real	5	2	10	−12	10	−9

Function 650: SOCIAL SECURITY

SUMMARY

This function provides income support to individuals when need arises from the retirement, disability, or death of a wage earner insured under the Social Security Program.

FUNCTION 650 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	256.8	281.5	310.6	338.8
	O	221.0	235.6	252.2	269.9
Committee recommendation	BA	256.8	281.5	310.6	338.8
	O	220.7	235.4	252.0	269.7
President's budget	BA	257.3	282.3	311.5	339.9
	O	220.8	235.4	251.9	269.5
1988 illustrative sequester	BA	256.8	281.5	310.6	338.8
	O	220.4	235.0	251.6	269.3
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA				
	O	−0.3	−0.2	−0.2	−0.2
President's budget	BA	−0.5	−0.8	−0.9	−1.1
	O	−0.1		+0.1	+0.2
1988 illustrative sequester	BA				
	O	+0.3	+0.4	+0.4	+0.4

COMMITTEE RECOMMENDATION

The Committee recommends $256.8 billion in budget authority and $220.7 billion in outlays in this function in 1988.

The Committee's recommendation assumes full benefits and cost-of-living increases for all social security recipients. The Committee also assumes full funding at current services levels for administrative costs and personnel for the Social Security Administration, with one exception. The Committee assumes a reduction of $250 million for the Information Technology System line-item in 1988 and a $200 million reduction per year afterward, based on information from a General Accounting Office report showing large amounts of unused funds for computer modernization.

The Committee's recommendation rejects the President's proposal to cut 20,000 staff from the Social Security Administration by 1992 and to make other cuts in administrative costs.

A sequester in function 650 would affect funds for administrative costs of the Social Security Administration. A sequester would provide for $900 million less in 1988 for such expenditures than would the Committee's recommendation and would cut personnel in Social Security field offices and reduce services to the public.

FUNCTION 650 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Old-age and survivors insurance	122.3	137.9	154.0	162.4	171.6	179.6
(On-budget)						
(Social security)	122.3	137.9	154.0	162.4	171.6	179.6
Disability insurance	17.3	18.0	18.3	18.5	19.4	20.2
(On-budget)						
(Social security)	17.3	18.0	18.3	18.5	19.4	20.2
Payments to social security trust funds						
(On-budget)	0.7	0.8	21.1	9.2	7.2	9.0
(Social security)	−0.7	−0.8	−21.1	−9.2	−7.2	−9.0
Interest payments, net			−1.6	−2.5	−2.4	−1.0
(On-budget)			−1.1	−2.1	−2.0	−0.9
(Social security)			−1.4	−0.5	−0.4	−0.1
Total function	139.6	156.0	170.7	178.4	188.6	198.8
(On-budget)	0.7	0.8	20.0	7.1	5.2	8.1
(Social security)	138.9	155.1	150.7	171.2	183.4	190.7
Percent growth over previous year:						
Nominal	17	12	9	5	6	5
Real	8	5	5	1	2	3

Function 700: VETERANS BENEFITS AND SERVICES

SUMMARY

Function 700 includes veterans compensation and pension payments, health services programs for veterans, housing loan guarantees, medical facility construction, education and training, and several other veterans benefit programs.

FUNCTION 700 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	27.9	28.3	28.5	29.0
	O	27.4	27.7	28.1	28.6
Committee recommendation	BA	27.9	28.0	27.9	28.2
	O	27.3	27.4	27.6	27.9
President's budget	BA	27.6	28.2	28.3	28.6
	O	26.7	27.1	27.4	28.0
1988 illustrative sequester	BA	26.4	26.9	27.1	27.5
	O	26.1	26.4	26.8	27.1
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−(*)	−0.3	−0.6	−0.8
	O	−0.1	−0.3	−0.5	−0.7
President's budget	BA	+0.3	−0.2	−0.4	−0.4
	O	+0.6	+0.3	+0.2	−0.1
1988 illustrative sequester	BA	+1.5	+1.1	+0.8	+0.7
	O	+1.2	+1.0	+0.8	+0.8

*Less than $50 million.

COMMITTEE RECOMMENDATION

The Committee recommends $27.9 billion in budget authority and $27.3 billion in outlays for this function in 1988.

Full cost-of-living increases for the veterans disability compensation and low-income pension programs are assumed in the Committee recommendation.

The Committee assumes that the GI bill will be made permanent, but rejects transferring funding to the Department of Defense, as proposed in the President's budget.

The Committee recommendation assumes a new initiative for homeless veterans as passed by the Senate, and rejects proposed reductions in veteran's burial allotments.

The Committee recommendation assumes baseline funding for medical services for 1988, with some modest savings below the baseline assumed to occur from an accelerated conversion of acute care hospital beds to long-term care use. The recommendation rejects the President's budget proposal for reductions in medical care to be achieved by curtailed medical services to certain non-service-connected veterans.

The Committee also assumes modest increases above baseline funding for urgently needed nursing home and other medical facility construction and rehabilitation in 1988.

In general, the Committee recommendation assumes the 1988–91 program levels for other discretionary appropriated accounts in this function are set at the 1987 level.

The Committee assumes continuation of current policies in the veterans housing loan guaranty program. No increases in loan origination fees, as proposed by the President, are assumed. In order to limit the Veteran's Administration's potential losses through its vendee loan program, however, the Committee recommendation assumes an increased proportion of properties acquired through default will be sold on a cash basis. This would not involve any increase in cost or fees for veterans.

The Committee recommendation provides for $1.5 billion in budget authority for veterans programs above what would be available if a sequester occurred.

FUNCTION 700 CREDIT PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	DL	1.2	1.1	1.0	0.9
	LG	30.4	28.4	30.7	33.0
Committee recommendation	DL	1.1	1.0	0.9	0.8
	LG	30.4	28.4	30.7	33.0

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 700 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
VETERANS AFFAIRS					
Increase real property cash sales	BA	−56	−32		
	O	−56	−32	−13	+2
Total, function 700	BA	−56	−32		
	O	−56	−32	−13	+2

FUNCTION 700 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Compensation	8.4	9.3	9.8	9.9	10.2	10.4
Pensions	3.8	3.9	3.9	3.9	3.8	3.9
Education, training, and rehabilitation	2.3	1.9	1.6	1.4	1.1	.5
Hospital and medical care	7.0	7.5	8.3	8.9	9.5	10.0
All other	1.6	1.3	1.2	1.6	1.6	1.6
Total function	23.0	23.9	24.8	25.7	26.3	26.4
Percent growth over previous year:						
Nominal	8	4	4	4	2	0
Real	−1	−2	0	0	−1	−2

Function 750: ADMINISTRATION OF JUSTICE

SUMMARY

Function 750 includes funds for Federal law enforcement activities, judicial and litigative programs, the Federal Prison System, criminal justice assistance to States and localities, and legal services for the poor.

FUNCTION 750 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	9.4	9.5	9.7	9.9
	O	9.1	9.5	9.7	9.8
Committee recommendation	BA	9.6	9.6	9.6	9.6
	O	9.4	9.6	9.6	9.6
President's budget	BA	9.0	9.1	9.1	9.3
	O	9.2	9.2	9.1	9.3
1988 illustrative sequester	BA	6.8	6.9	7.0	7.1
	O	6.9	7.1	7.0	7.0
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	+0.2	+0.1	−0.1	−0.3
	O	+0.3	+0.1	−0.1	−0.2
Presdient's budget	BA	+0.6	+0.5	+0.5	+0.3
	O	+0.2	+0.4	+0.5	+0.3
1988 illustrative sequester	BA	+2.8	+2.7	+2.6	+2.5
	O	+2.5	+2.5	+2.6	+2.6

COMMITTEE RECOMMENDATION

The Committee recommends $9.6 billion in budget authority and $9.4 billion in outlays for this function in 1988.

The Committee recommendation is $0.6 billion in budget authority and $0.2 billion in outlays above the President's budget for

1988. The difference is due primarily to the Committee's decision not to recommend termination of the Legal Services Corporation and other criminal justice assistance grants to States and localities, as proposed in the administration's budget.

The Committee recommendation provides $2.8 billion in budget authority and $2.5 billion in outlays above the 1988 sequester level for this function.

The Committee generally assumes that the 1988 through 1991 program levels for the discretionary appropriated accounts in this function remain at the 1987 level. In this function, this means that all programs are frozen at the 1987 level, except for those discussed below.

The Committee notes with some concern that the administration's budget request proposes termination of certain State and local assistance grants established under the Anti-Drug Abuse Act of 1986. As such, in this function, the Committee recommendation specifically rejects the proposal to terminate the State and local drug control assistance grant authorized for 3 years under that law.

The Committee recommendation also assumes significant increases in budget authority above the freeze level for such high priority agencies as the Federal Bureau of Investigation, the Drug Enforcement Administration, the U.S. Customs Service and its Air Interdiction Program in order to ensure strengthened Federal antinarcotics activities and increased law enforcement efforts in 1988. Further, the Committee recommendation assumes increases for the U.S. Courts, and key civil rights programs in the upcoming year, and would also provide additional funds for the Immigration and Naturalization Service to implement immigration reform legislation enacted in 1986.

FUNCTION 750 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Federal Bureau of Investigation	0.7	0.7	0.8	0.9	1.2	1.2
Immigration and Naturalization Service	0.4	0.4	0.5	0.5	0.6	0.6
Drug Enforcement Administration	0.2	0.2	0.3	0.3	0.4	0.3
Customs Service	0.5	0.5	0.6	0.6	0.7	0.7
The Judiciary	0.6	0.7	0.8	0.9	1.0	1.9
Justice assistance	0.5	0.3	0.2	0.3	0.3	0.3
Legal Services Corporation	0.3	0.3	0.2	0.3	0.3	0.3
Federal prison system	0.4	0.4	0.4	0.5	0.5	0.6
All other	1.2	1.2	1.4	1.6	1.5	.9
Total function	4.8	4.7	5.2	5.9	6.5	6.8
Percent growth over previous year:						
Nominal	4	−2	11	13	10	5
Real	−5	−8	6	9	6	2

Function 800: GENERAL GOVERNMENT

Summary

Function 800 includes funds for the legislative and executive branches of Government, the Treasury Department, the Internal Revenue Service, the General Services Administration, and the Compact of Free Association.

FUNCTION 800 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	7.3	7.4	7.7	7.8
	O	6.9	6.9	7.2	7.4
Committee recommendation	BA	7.6	7.6	7.8	7.8
	O	7.1	7.0	7.2	7.1
President's budget	BA	7.8	8.1	8.2	8.2
	O	7.7	8.2	8.3	8.2
1988 illustrative sequester	BA	5.8	5.9	6.1	6.1
	O	5.5	4.8	5.1	5.1
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	+0.3	+0.2	+0.1	−(*)
	O	+0.2	+0.1	+(*)	−0.3
President's budget	BA	−0.2	−0.5	−0.4	−0.4
	O	−0.6	−1.2	−1.1	−1.1
1988 illustrative sequester	BA	+1.8	+1.7	+1.7	+1.7
	O	+1.6	+2.2	+2.1	+2.0

*Less that $50 million.

Committee Recommendation

The Committee recommends $7.6 billion in budget authority and $7.1 billion in outlays for this function in 1988.

The Committee recommendation is $0.2 billion in budget authority and $0.6 billion in outlays less than the President's budget for 1988. The difference is due primarily to the Committee's decision to freeze funding for this function, generally, and not to adopt the administration's proposal regarding the Federal Financing Bank.

The Committee recommendation provides $1.8 billion in budget authority and $1.6 billion in outlays above the 1988 sequester level for this function.

The Committee generally assumes that the 1988 through 1991 program levels for the discretionary appropriated accounts in this function remain at the 1987 level. In this function, this means that all programs are frozen at the 1987 level, except for those discussed below.

The Committee recommendation assumes increased funds would be provided for the Internal Revenue Service in 1988 through 1991 to hire additional agents to improve processing of returns, strengthen taxpayer service, collect unpaid taxes, and implement the Tax Reform Act of 1986.

In addition, the Committee assumes the Federal Supply Service would be allowed full cost recovery in 1988-91 through the implementation of a surcharge on the goods and services it provides to other Federal agencies.

Further, the Committee recommendation would accommodate the costs of proposed legislation to reform Senate campaign financing efforts, and to increase funds for the Office of the U.S. Trade Representative in 1988-91.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 800 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
GOVERNMENTAL AFFAIRS					
Federal Supply Service	BA				
	O	−176	−181	−185	−189
	BA				
Total, function 800	O	−176	−181	−185	−189

FUNCTION 800 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Legislative branch	1.0	1.2	1.2	1.3	1.4	1.5
Internal Revenue Service	2.4	2.5	2.9	3.2	3.6	3.8
General Services Administration	0.1	0.2	0.2	0.2	0.1	0.1
All other	1.0	0.6	0.5	0.3	0.2	0.6
Total function	4.5	4.5	4.8	5.0	5.3	6.0
Percent growth over previous year:						
Nominal	1	0	7	4	6	13
Real	−7	−6	3	0	2	10

Function 850: GENERAL PURPOSE FISCAL ASSISTANCE

SUMMARY

Function 850 includes funds for the Federal payment to the District of Columbia, and for those land management activities that generate receipts to be shared with States and localities.

FUNCTION 850 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
Baseline	BA	1.9	1.9	2.0	2.0
	O	1.9	1.9	2.0	2.0
Committee recommendation	BA	1.6	1.6	1.6	1.7
	O	1.6	1.6	1.6	1.7
President's budget	BA	1.5	1.6	1.6	1.6
	O	1.5	1.6	1.6	1.6
1988 illustrative sequester	BA	1.7	1.8	1.8	1.9
	O	1.5	1.8	1.8	1.9
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−0.3	−0.3	−0.4	−0.3
	O	−0.3	−0.3	−0.4	−0.3
President's budget	BA	+0.1			+0.1
	O	+0.1			+0.1
1988 illustrative sequester	BA	−0.1	−0.2	−0.2	−0.2
	O	+0.1	−0.2	−0.2	−0.2

COMMITTEE RECOMMENDATION

The Committee recommends $1.6 billion in budget authority and $1.6 billion in outlays for this function in 1988.

The Committee recommendation is $0.1 billion in budget authority and $0.1 billion in outlays above the President's budget for 1988. The difference is due primarily to the Committee's decision not to reduce funding for the Federal payment to the District of Columbia, as proposed in the administration's budget.

The Committeee recommendation provides $0.1 billion less in budget authority and $0.1 billion more in outlays when compared to the 1988 sequester level for this function.

The Committee generally assumes that the 1988 through 1991 program levels for the discretionary appropriated accounts in this function remain at the 1987 level. In this function, this means that all programs are frozen at the 1987 level, except those discussed below.

The Committee recommendation assumes that the Federal Government is allowed to deduct its costs of administering certain timber, mineral, and land management activities from gross receipts in 1988.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 850 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
AGRICULTURE					
Forest Service receipts	BA	−190	−190	−198	−205
	O	−190	−190	−198	−205
ENERGY AND NATURAL RESOURCES					
Mineral receipts	BA	−55	−60	−60	−60
	O	−51	−60	−60	−60
Forest Service receipts	BA	−190	−190	−198	−205
	O	−190	−190	−198	−205
BLM receipts	BA	−29	−30	−31	−32
	O	....	−29	−30	−32
PILT	BA	....	30	30	30
	O	....	30	30	30
Total, function 850 [1]	BA	−274	−250	−259	−267
	O	−241	−249	−258	−267

[1] Totals do not include double count for Forest Service receipts.

FUNCTION 850 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
General revenue sharing	5.1	4.6	4.6	4.6	4.6	5.1
Payments and loans to the District of Columbia	0.5	0.4	0.5	0.5	0.5	0.5
All other	1.2	1.4	1.3	1.7	1.2	0.8
Total function	6.8	6.4	6.4	6.8	6.3	6.4
Percent growth over previous year:						
Nominal	−21	−6	0	6	−7	2
Real	−28	−12	−4	2	−11	−1

Function 900: NET INTEREST

SUMMARY

Function 900 includes three elements: (1) interest on the public debt, including interest on securities sold to the public and to trust funds; (2) other interest payments and collections of the Federal Government; and (3) a deduction of the amount of interest received by both on-budget and social security trust funds.

FUNCTION 900 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	140.4	146.7	151.4	154.8
	O	140.4	146.7	151.4	154.8
Committee recommendation	BA	139.2	142.3	142.9	140.8
	O	139.2	142.3	142.9	140.8
President's budget	BA	139.0	143.2	145.3	145.0
	O	139.0	143.2	145.3	145.0
1988 illustrative sequester	BA	138.4	139.5	138.2	134.9
	O	138.4	139.5	138.2	134.9
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−1.2	−4.4	−8.5	−14.0
	O	−1.2	−4.4	−8.5	−14.0
President's budget	BA	+0.2	−0.9	−2.4	−4.2
	O	+0.2	−0.9	−2.4	−4.2
1988 illustrative sequester	BA	+0.8	+2.8	+4.7	+5.9
	O	+0.8	+2.8	+4.7	+5.9

COMMITTEE RECOMMENDATION

The Committee recommendation results in net interest costs of $139.2 billion in 1988. Net interest in the President's budget totals $139 billion in 1988, while a sequester totals $138.4 billion.

The Committee function total represents a substantial reduction in interest costs below the baseline and below the President's request. This reduction is based on deficit reduction assumptions contained in the recommended budget resolution. It also includes the impact on interest collections of proposals for the Export-Import Bank and Rural Electrification Administration loans (discussed in functions 150 and 270).

Explanation of Reconciliation Decisions

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implementation of the Committee recommendation, described above.

FUNCTION 900 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
AGRICULTURE					
REA repayment offset	BA	....	9	16	23
	O	....	9	16	23
Total, function 900	BA	....	9	16	23
	O	....	9	16	23

FUNCTION 900 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Interest on the public debt	95.5	117.2	128.6	153.8	178.8	190.2
Interest received by trust funds	−13.8	−16.1	−17.1	−20.4	−26.2	−30.9
On-budget	−11.5	−14.0	−15.3	−17.0	−22.1	−26.6
Social security	−2.3	−2.1	−1.8	−3.3	−4.1	−4.3
Other interest	−13.0	−16.1	−21.7	−22.4	−23.4	−23.3
Total function	68.7	85.0	89.8	111.0	129.2	136.0
On-budget	71.0	87.1	91.6	114.4	133.5	140.3
Percent growth over previous year:						
Nominal	31	23	5	25	17	5
Real	20	16	2	19	12	3

Function 920: ALLOWANCES

SUMMARY

Function 920 includes allowances for pay raises for employees of Federal agencies (except for those employed by the Department of Defense) and for U.S. Coast Guard military personnel. This function also includes government-wide management savings proposals and Federal work force reforms.

FUNCTION 920 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	0.9	3.1	5.4	8.0
	O	0.9	3.3	5.7	8.6
Committee recommendation	BA	−0.3	+(*)	0.4	0.8
	O	−0.3	0.1	0.5	1.0
President's budget	BA	−1.3	0.5	3.0	5.4
	O	−1.2	0.7	3.2	5.7
1988 illustrative sequester	BA	0.9	3.1	5.4	8.0
	O	0.8	3.3	5.7	8.6
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	−1.2	−3.1	−5.0	−7.2
	O	−1.2	−3.2	−5.2	−7.6
President's budget	BA	+1.0	−0.5	−2.6	−4.6
	O	+0.9	−0.6	−2.7	−4.7
1988 illustrative sequester	BA	−1.2	−3.1	−5.0	−7.2
	O	−1.1	−3.2	−5.2	−7.6

*Less than $50 million.

COMMITTEE RECOMMENDATION

The Committee recommends −$0.3 billion in budget authority and −$0.3 billion in outlays for this function in 1988.

The Committee recommendation is $1.0 billion in budget authority and $0.9 billion in outlays above the President's request for 1988. The difference is due primarily to the Committee's decision not to assume an increase in the contract threshold under the Davis-Bacon and Service Contract Acts in 1988; not to adopt the administration's credit reform initiative; and not to change the formula for Federal employee health benefits—as proposed by the President.

The Committee recommendation assumes 2 percent pay raises in each year, 1988–91, for both Federal employees and Department of Defense personnel—military and civilian—with 50 percent absorption in all years. The recommendation also assumes a permanent 1-year delay in within grade step increases for all Federal employees, and a 13-percent reduction in Federal travel expenditures—in both the non-DOD and non-permanent change of station (PCS) travel.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in implemention of the Committee recommendation, described above.

FUNCTION 920 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
GOVERNMENTAL AFFAIRS					
2 percent civilian agency pay raises	BA				
	O	−301	−1,812	−3,340	−5,271
Civilian within-grade pay delay	BA				
	O	−179	−429	−598	−768
Travel	BA				
	O	−325	−336	−360	−377
Total, function 920	BA				
	O	−805	−2,577	−4,298	−6,416

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

SUMMARY

Function 950 covers the miscellaneous receipts programs, including rents and royalties on the Outer Continental Shelf (OCS), the employer share of Federal employee's retirement, including military retirement, and receipts from the sale of Federal physical assets. The numbers are negative because they represent receipts to the Government, or, for the employer share of employee retirement, entries to eliminate double counting in the budget.

FUNCTION 950 SPENDING PROJECTIONS

[In billions of dollars]

		1988	1989	1990	1991
CBO baseline	BA	−40.4	−42.9	−45.4	−48.2
	O	−40.4	−42.9	−45.4	−48.2
Committee recommendation	BA	−40.1	−41.2	−42.6	−43.7
	O	−40.1	−41.2	−42.6	−43.7
President's budget	BA	−43.5	−45.4	−47.8	−53.1
	O	−43.5	−45.4	−47.8	−53.1
1988 illustrative sequester	BA	−41.0	−42.9	−45.4	−48.2
	O	−41.0	−42.9	−45.4	−48.2
COMPARISONS					
Committee recommendation compared to:					
CBO baseline	BA	0.3	1.7	2.8	4.5
	O	0.3	1.7	2.8	4.5
President's budget	BA	3.4	4.2	5.2	9.4
	O	3.4	4.2	5.2	9.4
1988 illustrative sequester	BA	0.9	1.7	2.8	4.5
	O	0.9	1.7	2.8	4.5

COMMITTEE RECOMMENDATION

The Committee recommends −$40.1 billion in budget authority and outlays in this function in 1988. This represents a $0.9 billion increase from the sequester level for this function.

The Committee recommendation does not assume the sale of the Naval Petroleum Reserve or the Federal power marketing administration proposed in the President's budget.

The Committee recommendation assumes a 2-percent pay increase for both military and civilian workers in January of each fiscal year beginning in 1988. The President has proposed a 3-percent increase for civilian workers and a 4-percent increase for military personnel.

The Committee also assumes a permanent 1-year delay in the waiting time required for within-grade increases. This function reflects offsetting receipts from these proposals, which are contained in other functions.

EXPLANATION OF RECONCILIATION DECISIONS

Set forth below are the assumptions that support the reconciliation instructions adopted by the Committee. These instructions are intended to assist in the implementation of the Committee recommendation, described above.

FUNCTION 950 RECONCILIATION

[In millions of dollars]

Committee/program		1988	1989	1990	1991
ARMED SERVICES					
Military pay offsets	BA				
	O	+156	+902	+1,611	+2,485
GOVERNMENTAL AFFAIRS					
Civilian pay offsets	BA				
	O	+83	+560	+1,067	+1,720
Within-grade pay offsets	BA				
	O	+58	+152	+223	+293
Total, function 950	BA				
	O	+297	+1,614	+2,901	+4,498

FUNCTION 950 HISTORICAL SPENDING BY MAJOR CATEGORY

[Actual outlays—billions of dollars]

Major program	1981	1982	1983	1984	1985	1986
Employer share, employee retirement:						
Military retirement	−11.5	−12.8	−15.4	−16.5	−17.0	−17.4
Civilian retirement	−6.4	−7.0	−8.1	−8.8	−10.3	−10.9
On-budget	−5.0	−5.4	−6.3	−6.8	−7.8	−8.0
Social security	−1.4	−1.6	−1.8	−2.0	−2.5	−2.9
Rents from the Outer Continental Shelf	−10.1	−6.2	−10.5	−6.7	−5.5	−4.7
Total function	−28.0	−26.0	−34.0	−32.0	−32.8	−33.0
On-budget	−26.6	−24.4	−32.2	−30.0	−30.3	−30.1
Percent growth over previous year:						
Nominal	41	−8	32	−7	1	−1
Real	29	−13	26	−9	−1	−2

Credit Budget

Budget authority and outlay totals in the budget provide an incomplete picture of Federal credit activity. They measure loan programs on a net cash flow basis—that is, outlays minus receipts. They do not measure the full volume of new credit extended for direct loans and exclude loan guarantee commitments.

The credit budget offers an alternative way of measuring loan program activity. It records the total dollar amount of direct loan obligations and loan guarantee commitments, without offsets for repayments. It covers all Government credit programs, including those previously defined as off-budget.

The resolution includes aggregates and functional allocations for three types of Federal credit transactions: direct loans, primary loan guarantees, and secondary loan guarantees.

A direct loan (DL) is a disbursement of funds to a non-Federal entity under an agreement that the amount will be repaid, with or without interest. Direct loan obligations are recorded in the credit budget when the Government becomes legally bound to extend credit assistance. They result in outlays when funds are disbursed to borrowers.

A primary loan guarantee (LG) is a pledge to pay part or all of the amount due to a lender in the event of default by a borrower. Loan guarantee commitments are recorded in the credit budget when the Government becomes legally bound to extend credit assistance. They result in outlays only if borrowers default.

A secondary loan guarantee (SLG) is a commitment to guarantee a loan that has already been insured by the Federal Government, such as the guarantee of securities backed by federally insured mortgages. Secondary loan guarantees do not increase the contingent liability of the Government.

CREDIT BUDGET BASELINE

Each year, the Congressional Budget Office estimates a credit budget, baseline, showing the level of Federal credit activity that would result if current policies remained in place.

For programs subject to appropriation limits in 1987, the baseline assumes that limits will be allowed to increase in future years to offset the effects of inflation. There are two exceptions to this rule: programs for which projections would exceed authorizing statutes and programs in which appropriation limits are expected to exceed actual obligations or commitments. For programs not limited in an appropriation act in 1987, the baseline assumes CBO's estimate of activity in future years.

CBO baseline budget projections show total Federal credit activity declining from $183 billion in 1987 to $154 billion in 1988. Assuming current policy, Federal credit activity would then rise slowly over the next 4 years, climbing to $160 billion by 1991. Direct loan obligations are expected to fall in each of the next 4 years, dropping from $42 billion in 1987 to $34 billion in 1991. Guaranteed lending is also projected to fall, from $141 billion in 1987 to $126 billion in 1991.

The drop in direct lending is principally due to a decrease in commodity price support loans which represent 40 percent of all Federal direct lending activity. A decline in mortgage refinancing through FHA and VA loan guarantees account for most of the downturn in guaranteed lending.

THE PRESIDENT'S CREDIT BUDGET PROPOSALS

PROGRAM LEVELS

As reestimated by CBO, the President's budget would reduce direct loan obligations by $4.5 billion in 1988 and by $29.6 billion over the next 4 years. Although the first year cut in direct loans would account for only 13 percent of baseline direct lending activity in 1988, guaranteed loans would be reduced by a full 20 percent next year. By 1992, guaranteed lending would be down cumulatively by nearly $154 billion.

The largest 4-year savings in the President's budget are achieved through termination of Farmers Home Administration rural housing loan programs and Rural Electrification Administration (REA) direct loans. Together, these reductions account for more than half the total 4-year direct loan savings. Terminations also include section 202 elderly housing loans, targeted SBA business loans, and Farmers Home rural development loans.

Reductions in crop target prices beginning in 1988 are expected to reduce Commodity Credit Corporation (CCC) price support loans by more than $4.4 billion over the next 4 years while Farmers

Home Administration agricultural credit loans are projected to decline by nearly $3.6 billion by 1991.

Major credit initiatives in guaranteed lending include administration proposals to increase fees charged for guaranteed student loans from 5 percent to 9 percent, on FHA mortgage insurance from 3.8 to 5 percent, and on VA mortgages from 1 percent to 2.5 percent. REA loan guarantees that are established under current law at 100 percent, would be limited to 70 percent guarantees and borrowers with existing Federal Financing Bank loans would be permitted to prepay without penalty. A planned shift from direct lending to guarantees explains the projected $5.5 billion increase in REA guaranteed lending activity.

The President's budget also recommends allowing Foreign Military Sales (FMS) loan recipients to prepay outstanding loans without penalty. Similar to selling existing loan assets, out-year deficits are increased due to lost repayments of interest and principal.

CREDIT REFORM

The President proposes to alter the treatment of direct loans by substituting subsidy value for the current period cash flows. Subsidy value is defined as the difference between the face value of a loan and the price the loan would have cost in the private market without Government assistance. For most programs, that subsidy value or benefit-to-borrower estimate will be achieved by selling new direct loans within 90 days after they are disbursed. The purpose of the new accounting practice is to enable the budget to more adequately reflect the true long-term costs of credit assistance by the Federal Government.

For loan guarantees, the net present value of the future costs of these commitments will be estimated by purchasing private reinsurance. If adopted, loan guarantees would no longer appear to be a "no cost" form of Federal assistance, but would reflect the future expected costs due to partial or total default.

PRESIDENT'S LOAN SALES PROPOSALS

For 1988, the administration's deficit reduction plans include the sale of $11.2 billion in loans for net receipts of $5.5 billion. On average, these loans are estimated to bring 61 cents on the dollar for gross receipts of $6.9 billion. An additional $1.4 billion is lost in foregone principal and interest payments so that net receipts yield only roughly 49 percent of the face value of loans sold.

Although the sale of financial assets has the effect of lowering outlays in the year in which the loan sales are consummated, the outyear deficits are increased by at least as much as the loan sale receipts. In fact, by 1991, foregone interest and principal payments will equal $3.7 billion, more than offsetting the $3.1 billion of deficit reduction loan sales scheduled for that year. Over the 4 years, 1988 through 1991, foregone receipts will total more than $10.8 billion.

COMMITTEE RECOMMENDATION

CREDIT LEVELS

The Committee recommendation for the credit budget assumes $33.8 billion in direct loan obligations, $149.3 billion in primary loan guarantee commitments, and $100.6 billion in secondary loan guarantees in 1988. The table below summarizes the totals assumed in the resolution by function. These recommendations are nonbinding targets.

Compared to the President's budget, the Committee recommendation assumes $19.1 billion more in direct loans over 4 years. It assumes $150.7 billion more in primary loan guarantee commitments.

Most credit programs are assumed to remain at the baseline minus discretionary inflation. Included under this assumption are Farmers Home Administration rural housing and development loans, Small Business Administration business loans, section 108 community development guarantees, and section 202 housing loans. Section 312 rehabilitation loans and SBA disaster assistance are limited by repayments. Also proposed at last year's levels are credit programs of the Rural Electrification Administration, Tennessee Valley Authority, and the Power Marketing Authorities.

The Committee assumes baseline funding for FHA guarantee loan commitments of $103.6 billion and a $156 billion limit on Government National Mortgage Association mortgaged backed securities. Baseline funding is also assumed for guaranteed student loans. Export-Import bank loans are proposed for reduction.

BUDGETARY TREATMENT OF CREDIT PROGRAMS

The Committee recognizes the need to improve the budgetary treatment of Federal credit assistance. The Committee has reviewed the President's credit reform proposals and concurs with its findings that measuring the costs of direct loans and loan guarantees on the basis of subsidy costs would provide a more accurate account of the Government's credit actitivies. The Committee did not conclude, however, the most appropriate measure of credit subsidy to apply to credit programs i.e., cost to Government or benefit to borrower. Under the cost to Government approach, subsidy is defined as the difference between the interest costs charged the borrower and the Government's interest costs (plus expected default charges and administrative expenses). The benefit to borrow approach is measured as the difference between the face value of a loan and the additional payments the borrower would have to have paid if the loan had been obtained in the private market without Government assistance.

Although the Committee does not recommend the selling of any loans in this year's Budget Resolution, the Committee distinguishes between the selling of new loans in the context of credit reform and the selling of existing loans for deficit reduction. The Committee feels it would be inappropriate to sell new loans as a means to identify subsidy values before a conclusion has been reached respecting the appropriate measure of subsidy costs of credit activities.

The Committee rejects the President's recommendations to sell new loans for deficit reduction. The Committee finds that selling existing loans does not reduce the deficit since loan sales merely accelerate future principal and interest repayments to the present. The Committee further finds that loan asset sales neither reduce demands of the Government in the credit markets nor do they increase the national savings rate. Finally, loan sales do not reduce the Government's basic credit needs.

The Committee recommends that loan guarantee programs be scored on the basis of their costs to Government. However, the Committee rejects the administration's proposal to purchase reinsurance for guaranteed lending. The Committee finds that in order to effectively implement the reinsurance proposal, authorizing legislation for certain credit programs would have to be modified and therefore the changes necessary for implementation would extend beyond accounting reform.

CREDIT BUDGET RECOMMENDATIONS BY FUNCTION

[In billions of dollars]

Function		1988	1989	1990	1991
150: International Affairs:					
CBO baseline	DL	7.3	7.6	7.9	8.2
	LG	9.2	9.5	9.9	10.4
	SLG	0.3	0.3	0.3	0.3
President's request	DL	7.5	7.6	7.7	7.8
	LG	9.1	9.4	9.8	10.2
	SLG	0.2	....		
Committee recommendation	DL	6.0	5.8	5.7	5.7
	LG	9.1	9.4	9.8	10.2
	SLG	0.3	0.3	0.3	0.3
270: Energy:					
CBO baseline	DL	2.1	2.3	2.4	2.4
	LG	+(*)	+(*)	+(*)	+(*)
President's request	DL	0.6	0.5	0.3	0.3
	LG	1.0	1.3	1.6	1.6
Committee recommendation	DL	2.1	2.1	2.1	2.1
	LG	7.3	+(*)	+(*)	+(*)
300: Natural Resources and Environment:					
CBO baseline	DL	0.1	0.1	0.1	0.1
President's request	DL	+(*)	+(*)	+(*)	+(*)
Committee recommendation	DL	0.1	0.1	0.1	0.1

CREDIT BUDGET RECOMMENDATIONS BY FUNCTION—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
350: Agriculture:					
CBO baseline	DL	17.5	16.2	15.1	14.3
	LG	8.5	9.1	9.3	9.4
President's request	DL	17.2	14.4	12.5	11.1
	LG	6.0	7.5	7.6	7.7
Committee recommendation	DL	17.5	16.2	15.0	14.2
	PLG	8.5	9.0	9.0	9.0
370: Commerce and Housing Credit:					
CBO baseline	DL	4.1	4.4	4.5	4.7
	LG	91.8	94.1	99.2	103.9
	SLG	100.3	97.6	94.3	90.7
President's request	DL	1.7	1.6	1.5	1.7
	LG	66.9	60.7	62.7	65.3
	SLG	100.0	100.0	100.0	100.0
Committee recommendation	DL	4.0	4.1	4.1	4.1
	LG	91.6	93.6	98.8	103.4
	SLG	100.3	97.6	94.3	90.7
400: Transportation:					
CBO baseline	DL	0.4	0.2	0.2	0.2
President's request	DL	0.4	0.2	0.2	0.2
Committee recommendation	DL	0.4	0.2	0.2	0.2
450: Community and Regional Development:					
CBO baseline	DL	1.1	1.1	1.1	1.2
	LG	0.3	0.3	0.3	0.4
President's request	DL	0.5	0.4	0.4	0.4
	LG	+(*)	+(*)	+(*)	+(*)
Committee recommendation	DL	1.1	1.1	1.1	1.1
	LG	0.3	0.3	0.3	0.3
500: Education, Training, Employment, and Social Services:					
CBO baseline	DL	1.6	1.6	1.6	1.7
	LG	9.1	9.1	9.2	9.2
President's request	DL	2.0	2.0	1.9	1.8
	PLG	7.3	7.6	7.6	7.6
Committee recommendation	DL	1.7	1.7	1.8	1.8
	PLG	9.1	9.1	9.2	9.2

CREDIT BUDGET RECOMMENDATIONS BY FUNCTION—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
550: Health:					
CBO baseline	DL	+(*)	+(*)	+(*)	+(*)
	PLG	0.3	0.3	0.3	0.4
President's request	DL	+(*)	+(*)	+(*)	+(*)
	PLG	0.1	0.1	0.1	0.1
Committee recommendation	DL	+(*)	+(*)	+(*)	+(*)
	PLG	0.3	0.3	0.3	0.3
600: Income Security:					
CBO baseline	DL	+(*)	+(*)	+(*)	+(*)
President's request	DL	+(*)	+(*)	+(*)	+(*)
Committee recommendation	DL	+(*)	+(*)	+(*)	+(*)
700: Veteran Benefits and Services:					
CBO baseline	DL	1.2	1.1	1.0	0.9
	PLG	30.4	28.4	30.7	33.0
President's request	DL	1.1	1.0	1.0	0.9
	PLG	28.1	26.3	28.4	30.5
Committee recommendation	DL	1.1	1.0	0.9	0.8
	PLG	30.4	28.4	30.7	33.0
Totals:					
CBO baseline	DL	35.5	34.7	34.0	33.7
	PLG	149.5	151.0	158.9	166.5
	SLG	100.7	98.0	94.7	91.1
President's request	DL	31.0	27.7	25.5	24.2
	PLG	118.4	112.9	117.8	123.0
	SLG	100.3	100.1	100.1	100.1
Committee recommendation	DL	34.0	32.3	31.0	30.1
	PLG	156.5	150.4	158.1	165.4
	SLG	100.6	97.9	94.6	91.0

Chapter IV. ADDITIONAL ITEMS REPRINTED BY THE COMMITTEE WITHOUT RECOMMENDATION

The Committee reports the following items without recommendation:

(1) A budget reflecting a hypothetical sequestration based on CBO economic and technical analysis (S. Con. Res. 49).

(2) The budget submitted by the President as reestimated by CBO (S. Con. Res. 50).

(3) The Hollings budget (S. Con. Res. 51).

(4) The Conrad amendment.

Calendar No. 93

100th CONGRESS
1st Session

S. CON. RES. 49

Setting forth the congressional budget for the United States Government for the fiscal years 1988, 1989, 1990, and 1991.

IN THE SENATE OF THE UNITED STATES

April 15, 1987

Mr. Chiles, from the Committee on the Budget, reported, under authority of the order of the Senate of April 10 (legislative day, March 30), 1987, the following original concurrent resolution, without recommendation; which was placed on the calendar

---

CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal years 1988, 1989, 1990, and 1991.

Resolved by the Senate (the House of Representatives concurring), That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1988 is established and the appropriate budgetary levels for fiscal years 1989, 1990, and 1991 are set forth.

MAXIMUM DEFICIT AMOUNT

Sec. 2. (a) The following levels and amounts set forth in this subsection are set forth for purposes of determining, in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974, as added by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, as reported, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution, as reported:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $900,500,000,000.

Fiscal year 1989: $962,000,000,000.

Fiscal year 1990: $1,051,000,000,000.

Fiscal year 1991: $1,138,900,000,000.

(2) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $1,008,500,000,000.

Fiscal year 1989: $1,038,100,000,000.

Fiscal year 1990: $1,082,100,000,000.

Fiscal year 1991: $1,128,800,000,000.

(3) The amounts of the deficits are as follows:

Fiscal year 1988: $108,000,000,000.

Fiscal year 1989: $76,100,000,000.

Fiscal year 1990: $31,100,000,000.

Fiscal year 1991: —$10,100,000,000.

(b) The levels and amounts set forth in this subsection are set forth for informational purposes only; are not set forth for purposes of any determination to be made under title III or IV of such Act; are based upon the same economic and technical assumptions upon which the budget submitted by the President for fiscal year 1988 pursuant to section 1105 of title 31, United States Code, is based; and as set forth in this concurrent resolution, as reported, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution, as reported:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $910,500,000,000.

Fiscal year 1989: $968,200,000,000.

Fiscal year 1990: $1,039,700,000,000.

Fiscal year 1991: $1,114,300,000,000.

(2) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $994,200,000,000.

Fiscal year 1989: $1,020,200,000,000.

Fiscal year 1990: $1,049,400,000,000.

Fiscal year 1991: $1,084,500,000,000.

(3) The amounts of the deficits are as follows:

Fiscal year 1988: $83,700,000,000.

Fiscal year 1989: $52,000,000,000.

Fiscal year 1990: $9,700,000,000.

Fiscal year 1991: −$29,800,000,000.

RECOMMENDED LEVELS AND AMOUNTS

SEC. 3. (a) The levels and amounts set forth in subsections (b) and (c) of this section and section 4 are set forth pursuant to subsections (a) and (b) of section 301 of the Congressional Budget and Impoundment Control Act of 1974, and are set forth for purposes of any determination to be made under title III or IV of such Act.

(b) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $659,900,000,000.

Fiscal year 1989: $700,400,000,000.

Fiscal year 1990: $764,100,000,000.

Fiscal year 1991: $828,000,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1988: $0.

Fiscal year 1989: $0.

Fiscal year 1990: $0.

Fiscal year 1991: $0.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1988: $59,700,000,000.

Fiscal year 1989: $63,900,000,000.

Fiscal year 1990: $68,900,000,000.

Fiscal year 1991: $74,300,000,000.

(2) The appropriate level of total new budget authority are as follows:

Fiscal year 1988: $842,000,000,000.

Fiscal year 1989: $889,100,000,000.

Fiscal year 1990: $926,000,000,000.

Fiscal year 1991: $985,400,000,000.

(3) The appropriate level of total budget outlays are as follows:

Fiscal year 1988: $804,500,000,000.

Fiscal year 1989: $823,100,000,000.

Fiscal year 1990: $854,100,000,000.

Fiscal year 1991: $887,300,000,000.

(4) The amounts of the deficits in the budget which are appropriate in the light of economic conditions and all other relevant factors are as follows:

Fiscal year 1988: $144,600,000,000.

Fiscal year 1989: $122,700,000,000.

Fiscal year 1990: $90,000,000,000.

Fiscal year 1991: $59,300,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1988: $2,561,100,000,000.

Fiscal year 1989: $2,750,100,000,000.

Fiscal year 1990: $2,903,600,000,000.

Fiscal year 1991: $3,025,700,000,000.

and the amounts by which the statutory limits on such debt should be accordingly increased are as follows:

Fiscal year 1988: $207,300,000,000.

Fiscal year 1989: $189,000,000,000.

Fiscal year 1990: $153,500,000,000.

Fiscal year 1991: $122,100,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990, are as follows:

Fiscal year 1988:

(A) New direct loan obligations, $29,400,000,000.

(B) New primary loan guarantee commitments, $131,100,000,000.

(C) New secondary loan guarantee commitments, $100,500,000,000.

Fiscal year 1989:

(A) New direct loan obligations, $31,800,000,000.

(B) New primary loan guarantee commitments, $140,900,000,000.

(C) New secondary loan guarantee commitments, $97,800,000,000.

Fiscal year 1990:

(A) New direct loan obligations, $31,100,000,000.

(B) New primary loan guarantee commitments, $147,300,000,000.

(C) New secondary loan guarantee commitments, $94,500,000,000.

Fiscal year 1991:

(A) New direct loan obligations, $30,600,000,000.

(B) New primary loan guarantee commitments, $154,300,000,000.

(C) New secondary loan guarantee commitments, $90,900,000,000.

(c) The Congress hereby determines and declares that the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1988 through 1991 for each major functional category are:

(1) National Defense (050):

Fiscal year 1988:

(A) New budget authority, $251,000,000,000.

(B) Outlays, $260,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $262,600,000,000.

(B) Outlays, $261,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $274,600,000,000.

(B) Outlays, $267,800,000,000.

(C) New direct loan obligations, $0

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $287,500,000,000.

(B) Outlays, $278,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1988:

(A) New budget authority, $13,300,000,000.

(B) Outlays, $14,300,000,000.

(C) New direct loan obligations, $5,800,000,000.

(D) New primary loan guarantee commitments, $9,100,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

Fiscal year 1989:

(A) New budget authority, $18,900,000,000.

(B) Outlays, $13,200,000,000.

(C) New direct loan obligations, $6,000,000,000.

(D) New primary loan guarantee commitments, $9,400,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

Fiscal year 1990:

(A) New budget authority, $15,500,000,000.

(B) Outlays, $12,600,000,000.

(C) New direct loan obligations, $6,300,000,000.

(D) New primary loan guarantee commitments, $9,800,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

Fiscal year 1991:

(A) New budget authority, $15,500,000,000.

(B) Outlays, $11,200,000,000.

(C) New direct loan obligations, $6,500,000,000.

(D) New primary loan guarantee commitments, $10,300,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1988:

(A) New budget authority, $9,700,000,000.

(B) Outlays, $9,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $10,100,000,000.

(B) Outlays, $9,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $10,500,000,000.

(B) Outlays, $10,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $11,000,000,000.

(B) Outlays, $11,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1988:

(A) New budget authority, $2,200,000,000.

(B) Outlays, $3,600,000,000.

(C) New direct loan obligations, $1,700,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $2,900,000,000.

(B) Outlays, $2,700,000,000.

(C) New direct loan obligations, $1,800,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $2,900,000,000.

(B) Outlays, $2,300,000,000.

(C) New direct loan obligations, $1,900,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $2,900,000,000.

(B) Outlays, $2,100,000,000.

(C) New direct loan obligations, $1,900,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1988:

(A) New budget authority, $11,600,000,000.

(B) Outlays, $12,500,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $13,000,000,000.

(B) Outlays, $12,500,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $13,000,000,000.

(B) Outlays, $13,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $13,200,000,000.

(B) Outlays, $13,300,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1988:

(A) New budget authority, $28,800,000,000.

(B) Outlays, $27,700,000,000.

(C) New direct loan obligations, $14,400,000,000.

(D) New primary loan guarantee commitments, $6,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $29,100,000,000.

(B) Outlays, $25,300,000,000.

(C) New direct loan obligations, $16,400,000,000.

(D) New primary loan guarantee commitments, $8,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $27,900,000,000.

(B) Outlays, $24,700,000,000.

(C) New direct loan obligations, $15,300,000,000.

(D) New primary loan guarantee commitments, $8,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $24,000,000,000.

(B) Outlays, $22,100,000,000.

(C) New direct loan obligations, $14,600,000,000.

(D) New primary loan guarantee commitments, $8,200,000,000.

(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1988:

(A) New budget authority, $10,800,000,000.

(B) Outlays, $6,900,000,000.

(C) New direct loan obligations, $3,400,000,000.

(D) New primary loan guarantee commitments, $82,100,000,000.

(E) New secondary loan guarantee commitments, $100,300,000,000.

Fiscal year 1989:

(A) New budget authority, $10,400,000,000.

(B) Outlays, $3,800,000,000.

(C) New direct loan obligations, $3,600,000,000.

(D) New primary loan guarantee commitments, $85,300,000,000.

(E) New secondary loan guarantee commitments, $97,600,000,000.

Fiscal year 1990:

(A) New budget authority, $13,500,000,000.

(B) Outlays, $5,000,000,000.

(C) New direct loan obligations, $3,700,000,000.

(D) New primary loan guarantee commitments, $88,900,000,000.

(E) New secondary loan guarantee commitments, $94,300,000,000.

Fiscal year 1991:

(A) New budget authority, $11,000,000,000.

(B) Outlays, $2,900,000,000.

(C) New direct loan obligations, $3,800,000,000.

(D) New primary loan guarantee commitments, $92,700,000,000.

(E) New secondary loan guarantee commitments, $90,700,000,000.

(8) Transportation (400):

Fiscal year 1988:

(A) New budget authority, $23,000,000,000.

(B) Outlays, $26,400,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $23,900,000,000.

(B) Outlays, $25,000,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $24,700,000,000.

(B) Outlays, $24,300,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $25,400,000,000.

(B) Outlays, $24,400,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1988:

(A) New budget authority, $6,300,000,000.

(B) Outlays, $6,100,000,000.

(C) New direct loan obligations, $800,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $6,000,000,000.

(B) Outlays, $5,700,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $6,100,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $6,000,000,000.

(B) Outlays, $5,200,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1988:

(A) New budget authority, $28,000,000,000.

(B) Outlays, $30,300,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $9,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $29,800,000,000.

(B) Outlays, $29,400,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $9,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $30,900,000,000.

(B) Outlays, $30,100,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $9,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $32,100,000,000.

(B) Outlays, $31,300,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $9,200,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1988:

(A) New budget authority, $41,300,000,000.

(B) Outlays, $42,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $45,100,000,000.

(B) Outlays, $45,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $49,200,000,000.

(B) Outlays, $48,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $53,300,000,000.

(B) Outlays, $52,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $600,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1988:

(A) New budget authority, $93,400,000,000.

(B) Outlays, $81,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $103,200,000,000.

(B) Outlays, $92,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $114,200,000,000.

(B) Outlays, $103,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $125,200,000,000.

(B) Outlays, $116,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1988:

(A) New budget authority, $167,200,000,000.

(B) Outlays, $129,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $172,900,000,000.

(B) Outlays, $137,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $179,200,000,000.

(B) Outlays, $142,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $213,200,000,000.

(B) Outlays, $151,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1988:

(A) New budget authority, $4,700,000,000.

(B) Outlays, $4,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $5,300,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1988:

(A) New budget authority, $26,400,000,000.

(B) Outlays, $26,100,000,000.

(C) New direct loan obligations, $1,200,000,000.

(D) New primary loan guarantee commitments, $24,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $26,900,000,000.

(B) Outlays, $26,400,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $28,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $27,100,000,000.

(B) Outlays, $26,800,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $30,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $27,500,000,000.

(B) Outlays, $27,100,000,000.

(C) New direct loan obligations, $900,000,000.

(D) New primary loan guarantee commitments, $33,000,000,000.

(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1988:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $6,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $6,900,000,000.

(B) Outlays, $7,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $7,000,000,000.

(B) Outlays, $7,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $7,100,000,000.

(B) Outlays, $7,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1988:

(A) New budget authority, $5,800,000,000.

(B) Outlays, $5,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $5,900,000,000.

(B) Outlays, $4,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $6,100,000,000.

(B) Outlays, $5,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $6,100,000,000.

(B) Outlays, $5,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(18) General Purpose Fiscal Assistance (850):

Fiscal year 1988:

(A) New budget authority, $1,700,000,000.

(B) Outlays, $1,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $1,800,000,000.

(B) Outlays, $1,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $1,800,000,000.

(B) Outlays, $1,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $1,900,000,000.

(B) Outlays, $1,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(19) Net Interest (900):

Fiscal year 1988:

(A) New budget authority, $144,700,000,000.

(B) Outlays, $144,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $148,100,000,000.

(B) Outlays, $148,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $149,700,000,000.

(B) Outlays, $149,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $149,900,000,000.

(B) Outlays, $149,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(20) Allowances (920):

Fiscal year 1988:

(A) New budget authority, $900,000,000.

(B) Outlays, $800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $3,100,000,000.

(B) Outlays, $3,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $8,000,000,000.

(B) Outlays, $8,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(21) Undistributed Offsetting Receipts (950):

Fiscal year 1988:

(A) New budget authority, −$35,600,000,000.

(B) Outlays, −$35,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, −$36,800,000,000.

(B) Outlays, −$36,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, −$38,700,000,000.

(B) Outlays, −$38,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, −$40,800,000,000.

(B) Outlays, −$40,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 4. (a) Not later than May 15, 1987, the committees named in subsections (b) through (u) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b) The Senate Committee on Agriculture, Nutrition, and Forestry shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $0 in contributions, $1,459,000,000 in budget authority and $1,459,000,000 in outlays in fiscal year 1988, $0 in contributions, $2,074,000,000 in budget authority and $2,074,000,000 in outlays in fiscal year 1989, $0 in contributions, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in contributions, $0 in budget authority and $0 in outlays in fiscal year 1991.

(c) The Senate Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(d) The Senate Committee on Banking, Housing, and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment

Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $127,000,000 in budget authority and $127,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(e) The Senate Committee on Commerce, Science, and Transportation shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(f) The Senate Committee on Energy and Natural Resources shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(g) The Senate Committee on Environment and Public Works shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(h)(1) The Senate Committee on Finance shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $1,852,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(2) The Senate Committee on Finance shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $0 in fiscal year 1988; $0 in fiscal year 1989; $0 in fiscal year 1990; and $0 in fiscal year 1991.

(i) The Senate Committee on Governmental Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $329,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(j) The Senate Committee on Labor and Human Resources shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $118,000,000 in budget authority and $104,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(k) The Senate Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of

1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $149,000,000 in budget authority and $143,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

HOUSE COMMITTEES

(l) The House Committee on Agriculture shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $0 in contributions, $1,459,000,000 in budget authority and $1,459,000,000 in outlays in fiscal year 1988, $0 in contributions, $2,074,000,000 in budget authority and $2,074,000,000 in outlays in fiscal year 1989, $0 in contributions, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in contributions, $0 in budget authority and $0 in outlays in fiscal year 1991.

(m) The House Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(n) The House Committee on Banking, Finance and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $127,000,000 in budget authority and $127,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(o) The House Committee on Education and Labor shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $118,000,000 in budget authority and $104,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(p) The House Committee on Energy and Commerce shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $1,325,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(q) The House Committee on Government Operations shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(r) The House Committee on Interior and Insular Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(s) The House Committee on Post Office and Civil Service shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $329,000,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(t) The House Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $149,000,000 in budget authority and $143,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(u)(1) The House Committee on Ways and Means shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $1,852,000,000 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(2) The House Committee on Ways and Means shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $0 in fiscal year 1988, $0 in

fiscal year 1989, $0 in fiscal year 1990, and $0 in fiscal year 1991.

DEFICIT REDUCTION ACCOUNT

SEC. 5. (a) It is the sense of the Congress that, as a procedure appropriate to carry out the purposes of the Congressional Budget and Impoundment Control Act of 1974 (within the meaning of section 301(b)(4) of such Act), the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives shall, as an integral part of the changes in law reported pursuant to sections 4(h)(2) and 4(u)(2) of this concurrent resolution, report legislation to—

(1) establish a separate account in the Treasury into which revenues resulting from the changes in law reported pursuant to sections 4(h)(2) and 4(u)(2) of this resolution shall be deposited,

(2) ensure that any revenues deposited in such account shall not be available for appropriation,

(3) provide that any such revenues deposited in such account shall be used to retire outstanding debt obligations of the United States Government, and

(4) ensure that the revenue increases resulting from the changes in law reported pursuant to sections 4(h)(2) and 4(u)(2) shall not be effective for any fiscal year in which the allocations made by the Committee on Appropriations of either House pursuant to section

302(b) of the Congressional Budget and Impoundment Control Act of 1974 are exceeded.

(b) Legislation reported pursuant to subsection (a) shall not be considered to be extraneous for purposes of section 20001 of the Consolidated Omnibus Reconciliation Act of 1985 (as amended by section 7006 of the Omnibus Budget Reconciliation Act of 1986).

SALE OF GOVERNMENT ASSETS

SEC. 6. (a) It is the sense of the Congress that—

(1) from time to time the United States Government should sell assets to non-governmental buyers; and

(2) the amounts realized from such sales will not recur on an annual basis and do not reduce the demand for credit.

(b) The amounts to be realized from such sales not previously authorized by law shall not be treated as revenues, receipts, or negative outlays—

(1) for purposes of determining, in accordance with sections 301(i) and 311(a) of the Congressional Budget and Impoundment Control Act of 1974, as added by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded;

(2) for purposes of other points of order under section 311 of the Congressional Budget and Impoundment Control Act of 1974;

(3) for purposes of reconciliation under section 310 of the Congressional Budget and Impoundment Control Act of 1974; or

(4) for purposes of allocations and points of order under section 302 of the Congressional Budget and Impoundment Control Act of 1974.

(c) It is the sense of the Congress that the United States Government should sell assets to non-governmental buyers in the following amount: $0.

BUDGETARY TREATMENT OF LEGISLATION AUTHORIZING THE PREPAYMENT OF CERTAIN LOANS

SEC. 7. When legislation authorizes the United States Government to waive the prepayment premium on certain Government loans guaranteed by an agency and advanced by the Federal Financing Bank and allows repayment with new Government guaranteed loans—

(1) for purposes of reconciliation under section 310 of the Congressional Budget and Impoundment Control Act of 1974, the contributions from such prepayment shall be scored as revenues and shall not be scored as negative outlays, and

(2) for purposes of allocations and points of order under section 302 of such Act, the contributions from

such prepayment shall remain unassigned to committees.

RESERVE FUND FOR THE WELFARE REFORM INITIATIVE

SEC. 8. (a) Of the amounts specified in section 3 of this resolution, budget authority and outlays in amounts not to exceed the amounts specified in subsection (b) for fiscal years 1988, 1989, 1990, and 1991 shall be allocated to the appropriate committees of the House of Representatives and the Senate to provide for the child care and job training initiative when the appropriate committees of the House of Representatives or the Senate have reported legislation that will, if enacted, make funds available for such initiative.

(b)(1)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1988 shall not exceed $150,000,000 of new budget authority and $110,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1988 shall not exceed $600,000,000 of new budget authority and $300,000,000 of outlays.

(2)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1989 shall not exceed $160,000,000 of new budget authority and $160,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1989 shall not exceed $730,000,000 of new budget authority and $670,000,000 of outlays.

(3)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1990 shall not exceed $240,000,000 of new budget authority and $220,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1990 shall not exceed $760,000,000 of new budget authority and $750,000,000 of outlays.

(4)(A) The amounts available for allocation under subsection (a) for funding for child care for fiscal year 1991 shall not exceed $300,000,000 of new budget authority and $290,000,000 of outlays.

(B) The amounts available for allocation under subsection (a) for funding for job training for fiscal year 1991 shall not exceed $990,000,000 of new budget authority and $880,000,000 of outlays.

(c) Upon the reporting of legislation pursuant to subsection (a), revised allocations under section 302(a) of the Congressional Budget and Impoundment Control Act of 1974, altered by amounts not to exceed those in such legislation, shall be deemed to have been reported. Such revised allocations shall be considered for the purposes of such Act as allocations contained in this resolution, and the appropriate committees of the House of Representatives and the Senate shall report revised allocations, pursuant to section 302(b) of such Act to carry out this section.

RESERVE FUND FOR MEDICARE CATASTROPHIC HEALTH INSURANCE INITIATIVE

SEC. 9. (a) Budget authority and outlays in amounts not to exceed the amounts specified in subsection (b) for fiscal years 1988, 1989, 1990, and 1991 shall be allocated to the appropriate committees of the House of Representatives and the Senate to provide for the medicare catastrophic health insurance initiative, and the aggregates for fiscal years 1988, 1989, 1990, and 1991 in sections 2 and 3 of this resolution shall be adjusted accordingly, when—

(1) legislation has been enacted that ensures that any legislation providing for any such additional funding will not increase the deficits for fiscal years 1988, 1989, 1990, and 1991 above the levels set forth in sections 2 and 3 of this resolution; and

(2) the appropriate committees of the House of Representatives or the Senate have reported legislation as requested by the President that will, if enacted, make funds available for such initiative.

(b)(1) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1988 shall not exceed

$2,400,000,000 of new budget authority and $2,400,000,000 of outlays.

(2) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1989 shall not exceed $4,000,000,000 of new budget authority and $4,000,000,000 of outlays.

(3) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1990 shall not exceed $4,800,000,000 of new budget authority and $4,800,000,000 of outlays.

(4) The amounts available for allocation under subsection (a)(1) for funding the medicare catastrophic health insurance initiative for fiscal year 1991 shall not exceed $5,600,000,000 of new budget authority and $5,600,000,000 of outlays.

(c) Upon the reporting of legislation pursuant to subsection (a), revised allocations under section 302(a) of the Congressional Budget and Impoundment Control Act of 1974, altered by amounts not to exceed those in such legislation, and revised functional levels and aggregates to carry out this section, shall be deemed to have been reported. Such revised allocations, functional levels, and aggregates shall be considered for the purposes of such Act as allocations, functional levels, and aggregates contained in this resolution, and the appropriate committees of the House of Representatives and the Senate shall report revised allocations, pursuant to section 302(b) of such Act to carry out this section.

Calendar No. 94

100TH CONGRESS
1ST SESSION

S. CON. RES. 50

Setting forth the congressional budget for the United States Government for the fiscal years 1988, 1989, 1990, and 1991.

IN THE SENATE OF THE UNITED STATES

APRIL 15, 1987

Mr. CHILES, from the Committee on the Budget, reported, under authority of the order of the Senate of April 10 (legislative day, March 30), 1987, the following original concurrent resolution, without recommendation; which was placed on the calendar

---

CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal years 1988, 1989, 1990, and 1991.

Resolved by the Senate (the House of Representatives concurring), That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1988 is established and the appropriate budgetary levels for fiscal years 1989, 1990, and 1991 are set forth.

LEVELS AND AMOUNTS

SEC. 2. (a) The following levels and amounts are set forth for purposes of determining, in accordance with the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, as reported, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution, as reported:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $905,400,000,000.
Fiscal year 1989: $969,100,000,000.
Fiscal year 1990: $1,058,800,000,000.
Fiscal year 1991: $1,146,900,000,000.

(2) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $1,039,700,000,000.
Fiscal year 1989: $1,086,800,000,000.
Fiscal year 1990: $1,137,300,000,000.
Fiscal year 1991: $1,183,100,000,000.

(3) The amounts of the deficits are as follows:

Fiscal year 1988: $134,300,000,000.
Fiscal year 1989: $117,700,000,000.

Fiscal year 1990: $78,500,000,000.

Fiscal year 1991: $36,200,000,000.

(b) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $664,500,000,000.

Fiscal year 1989: $707,000,000,000.

Fiscal year 1990: $771,200,000,000.

Fiscal year 1991: $835,300,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1988: $4,600,000,000.

Fiscal year 1989: $6,600,000,000.

Fiscal year 1990: $7,100,000,000.

Fiscal year 1991: $7,300,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1988: $59,800,000,000.

Fiscal year 1989: $64,000,000,000.

Fiscal year 1990: $69,100,000,000.

Fiscal year 1991: $74,400,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1988: $912,200,000,000.

Fiscal year 1989: $963,300,000,000.

Fiscal year 1990: $1,007,300,000,000.

Fiscal year 1991: $1,053,300,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $835,000,000,000.

Fiscal year 1989: $871,400,000,000.

Fiscal year 1990: $909,300,000,000.

Fiscal year 1991: $941,700,000,000.

(4) The amounts of the deficits in the budget which are appropriate in the light of economic conditions and all other relevant factors are as follows:

Fiscal year 1988: $170,500,000,000.

Fiscal year 1989: $164,400,000,000.

Fiscal year 1990: $138,100,000,000.

Fiscal year 1991: $106,400,000,000.

(5) The appropriate levels of public debt are as follows:

Fiscal year 1988: $2,590,700,000,000.

Fiscal year 1989: $2,827,000,000,000.

Fiscal year 1990: $3,037,500,000,000.

Fiscal year 1991: $3,218,900,000,000.

and the amounts by which the statutory limits on such debt should be accordingly increased are as follows:

Fiscal year 1988: $236,300,000,000.

Fiscal year 1989: $236,300,000,000.

Fiscal year 1990: $210,500,000,000.

Fiscal year 1991: $181,400,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990, are as follows:

Fiscal year 1988:

(A) New direct loan obligations, $31,000,000,000.

(B) New primary loan guarantee commitments, $118,400,000,000.

(C) New secondary loan guarantee commitments, $100,200,000,000.

Fiscal year 1989:

(A) New direct loan obligations, $27,700,000,000.

(B) New primary loan guarantee commitments, $112,900,000,000.

(C) New secondary loan guarantee commitments, $100,000,000,000.

Fiscal year 1990:

(A) New direct loan obligations, $25,500,000,000.

(B) New primary loan guarantee commitments, $117,800,000,000.

(C) New secondary loan guarantee commitments, $100,000,000,000.

Fiscal year 1991:

(A) New direct loan obligations, $24,200,000,000.

(B) New primary loan guarantee commitments, $123,000,000,000.

(C) New secondary loan guarantee commitments, $100,000,000,000.

(c) The Congress hereby determines and declares that the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1988 through 1991 for each major functional category are:

(1) National Defense (050):

Fiscal year 1988:

(A) New budget authority, $311,800,000,000.

(B) Outlays, $298,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $332,000,000,000.

(B) Outlays, $312,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $353,000,000,000.

(B) Outlays, $331,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $374,400,000,000.

(B) Outlays, $349,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1988:

(A) New budget authority, $19,500,000,000.

(B) Outlays, $16,600,000,000.

(C) New direct loan obligations, $7,500,000,000.

(D) New primary loan guarantee commitments, $9,000,000,000.

(E) New secondary loan guarantee commitments, $200,000,000.

Fiscal year 1989:

(A) New budget authority, $20,300,000,000.

(B) Outlays, $17,000,000,000.

(C) New direct loan obligations, $7,600,000,000.

(D) New primary loan guarantee commitments, $9,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $20,700,000,000.

(B) Outlays, $17,300,000,000.

(C) New direct loan obligations, $7,700,000,000.

(D) New primary loan guarantee commitments, $9,800,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $20,300,000,000.

(B) Outlays, $16,300,000,000.

(C) New direct loan obligations, $7,800,000,000.

(D) New primary loan guarantee commitments, $10,200,000,000.

(E) New secondary loan guarantee commitments, $0.

(3) General Science, Space, and Technology (250):

Fiscal year 1988:

(A) New budget authority, $11,500,000,000.

(B) Outlays, $11,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $12,900,000,000.

(B) Outlays, $12,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $13,500,000,000.

(B) Outlays, $13,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $14,100,000,000.

(B) Outlays, $14,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1988:

(A) New budget authority, $2,500,000,000.

(B) Outlays, $3,300,000,000.

(C) New direct loan obligations, $600,000,000.

(D) New primary loan guarantee commitments, $1,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $3,600,000,000.

(B) Outlays, $2,600,000,000.

(C) New direct loan obligations, $500,000,000.

(D) New primary loan guarantee commitments, $1,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $3,800,000,000.

(B) Outlays, $2,700,000,000.

(C) New direct loan obligations, $300,000,000.

(D) New primary loan guarantee commitments, $1,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $4,200,000,000.

(B) Outlays, $2,600,000,000.

(C) New direct loan obligations, $300,000,000.

(D) New primary loan guarantee commitments, $1,600,000,000.

(E) New secondary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1988:

(A) New budget authority, $14,100,000,000.

(B) Outlays, $14,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $15,100,000,000.

(B) Outlays, $15,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $15,100,000,000.

(B) Outlays, $15,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $14,400,000,000.

(B) Outlays, $15,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1988:

(A) New budget authority, $25,700,000,000.

(B) Outlays, $24,900,000,000.

(C) New direct loan obligations, $17,200,000,000.

(D) New primary loan guarantee commitments, $6,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $27,000,000,000.

(B) Outlays, $23,300,000,000.

(C) New direct loan obligations, $14,400,000,000.

(D) New primary loan guarantee commitments, $7,500,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $22,500,000,000.

(B) Outlays, $19,300,000,000.

(C) New direct loan obligations, $12,500,000,000.

(D) New primary loan guarantee commitments, $7,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $17,700,000,000.

(B) Outlays, $15,200,000,000.

(C) New direct loan obligations, $11,100,000,000.

(D) New primary loan guarantee commitments, $7,700,000,000.

(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1988:

(A) New budget authority, $11,700,000,000.

(B) Outlays, $4,300,000,000.

(C) New direct loan obligations, $1,700,000,000.

(D) New primary loan guarantee commitments, $66,900,000,000.

(E) New secondary loan guarantee commitments, $100,000,000,000.

Fiscal year 1989:

(A) New budget authority, $10,000,000,000.

(B) Outlays, $1,400,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $60,700,000,000.

(E) New secondary loan guarantee commitments, $100,000,000,000.

Fiscal year 1990:

(A) New budget authority, $12,100,000,000.

(B) Outlays, $2,700,000,000.

(C) New direct loan obligations, $1,500,000,000.

(D) New primary loan guarantee commitments, $62,700,000,000.

(E) New secondary loan guarantee commitments, $100,000,000,000.

Fiscal year 1991:

(A) New budget authority, $9,700,000,000.

(B) Outlays, $200,000,000.

(C) New direct loan obligations, $1,700,000,000.

(D) New primary loan guarantee commitments, $65,300,000,000.

(E) New secondary loan guarantee commitments, $100,000,000,000.

(8) Transportation (400):

Fiscal year 1988:

(A) New budget authority, $24,900,000,000.

(B) Outlays, $27,000,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $24,800,000,000.

(B) Outlays, $26,400,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $24,900,000,000.

(B) Outlays, $26,100,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $25,800,000,000.

(B) Outlays, $26,100,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1988:

(A) New budget authority, $5,600,000,000.

(B) Outlays, $5,200,000,000.

(C) New direct loan obligations, $500,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $5,600,000,000.

(B) Outlays, $4,500,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,700,000,000.

(B) Outlays, $4,400,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $5,800,000,000.

(B) Outlays, $4,600,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1988:

(A) New budget authority, $29,100,000,000.

(B) Outlays, $28,500,000,000.

(C) New direct loan obligations, $2,000,000,000.

(D) New primary loan guarantee commitments, $7,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $28,300,000,000.

(B) Outlays, $28,700,000,000.

(C) New direct loan obligations, $2,000,000,000.

(D) New primary loan guarantee commitments, $7,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $27,800,000,000.

(B) Outlays, $28,000,000,000.

(C) New direct loan obligations, $1,900,000,000.

(D) New primary loan guarantee commitments, $7,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $27,600,000,000.

(B) Outlays, $27,800,000,000.

(C) New direct loan obligations, $1,800,000,000.

(D) New primary loan guarantee commitments, $7,600,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1988:

(A) New budget authority, $43,500,000,000.

(B) Outlays, $40,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $44,300,000,000.

(B) Outlays, $42,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $45,700,000,000.

(B) Outlays, $44,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $47,400,000,000.

(B) Outlays, $46,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $100,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1988:

(A) New budget authority, $93,900,000,000.

(B) Outlays, $78,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $103,900,000,000.

(B) Outlays, $86,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $114,300,000,000.

(B) Outlays, $94,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $124,900,000,000.

(B) Outlays, $103,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1988:

(A) New budget authority, $162,100,000,000.

(B) Outlays, $127,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $170,200,000,000.

(B) Outlays, $133,200,000,000.

(C) New direct loan obligations, $0

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $176,700,000,000.

(B) Outlays, $138,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $194,000,000,000.

(B) Outlays, $146,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1988:

(A) New budget authority, $4,700,000,000.

(B) Outlays, $4,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $5,300,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1988:

(A) New budget authority, $27,600,000,000.

(B) Outlays, $26,700,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $28,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $28,200,000,000.

(B) Outlays, $27,100,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $26,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $28,300,000,000.

(B) Outlays, $27,400,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $28,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $28,600,000,000.

(B) Outlays, $28,000,000,000.

(C) New direct loan obligations, $900,000,000.

(D) New primary loan guarantee commitments, $30,500,000,000.

(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1988:

(A) New budget authority, $9,000,000,000.

(B) Outlays, $9,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $9,100,000,000.

(B) Outlays, $9,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $9,100,000,000.

(B) Outlays, $9,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $9,300,000,000.

(B) Outlays, $9,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1988:

(A) New budget authority, $7,800,000,000.

(B) Outlays, $7,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $8,100,000,000.

(B) Outlays, $8,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $8,200,000,000.

(B) Outlays, $8,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $8,200,000,000.

(B) Outlays, $8,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(18) General Purpose Fiscal Assistance (850):

Fiscal year 1988:

(A) New budget authority, $1,500,000,000.

(B) Outlays, $1,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $1,600,000,000.

(B) Outlays, $1,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $1,600,000,000.

(B) Outlays, $1,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $1,600,000,000.

(B) Outlays, $1,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(19) Net Interest (900):

Fiscal year 1988:

(A) New budget authority, $145,200,000,000.

(B) Outlays, $145,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $151,800,000,000.

(B) Outlays, $151,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $157,000,000,000.

(B) Outlays, $157,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $160,200,000,000.

(B) Outlays, $160,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(20) Allowances (920):

Fiscal year 1988:

(A) New budget authority, —$1,300,000,000.

(B) Outlays, —$1,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $500,000,000.

(B) Outlays, $700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $3,000,000,000.

(B) Outlays, $3,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(21) Undistributed Offsetting Receipts (950):

Fiscal year 1988:

(A) New budget authority, −$38,200,000,000.

(B) Outlays, −$38,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, −$39,300,000,000.

(B) Outlays, −$39,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, −$41,100,000,000.

(B) Outlays, −$41,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, −$45,700,000,000.

(B) Outlays, −$45,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 4. (a) Not later than May 15, 1987, the committees named in subsections (b) through (y) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b) The Senate Committee on Agriculture, Nutrition, and Forestry shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $0 in contributions, $6,375,000,000 in budget authority and $6,298,000,000 in outlays in fiscal year 1988, $0 in contributions, $4,869,000,000 in budget authority and $4,867,000,000 in outlays in fiscal year 1989, $0 in contributions, $6,150,000,000 in budget authority and $6,149,000,000 in outlays in fiscal year 1990, and $0 in contributions,

$7,364,000,000 in budget authority and $7,365,000,000 in outlays in fiscal year 1991.

(c) The Senate Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $2,213,000,000 in budget authority and $2,213,000,000 in outlays in fiscal year 1988, $738,000,000 in budget authority and $738,000,000 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(d) The Senate Committee on Banking, Housing, and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows:

$32,000,000 in budget authority and $182,000,000 in outlays in fiscal year 1988, $40,000,000 in budget authority and $40,000,000 in outlays in fiscal year 1989, $49,000,000 in budget authority and $49,000,000 in outlays in fiscal year 1990, and $55,000,000 in budget authority and $55,000,000 in outlays in fiscal year 1991.

(e) The Senate Committee on Commerce, Science, and Transportation shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $982,000,000 in budget authority and $982,000,000 in outlays in fiscal year 1988, $518,000,000 in budget authority and $518,000,000 in outlays in fiscal year 1989, $547,000,000 in budget authority and $547,000,000 in outlays in fiscal year 1990, and $553,000,000 in budget authority and $553,000,000 in outlays in fiscal year 1991.

(f) The Senate Committee on Energy and Natural Resources shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment

Control Act Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $337,000,000 in budget authority and $303,000,000 in outlays in fiscal year 1988, $1,918,000,000 in budget authority and $2,076,000,000 in outlays in fiscal year 1989, $2,656,000,000 in budget authority and $2,815,000,000 in outlays in fiscal year 1990, and $5,487,000,000 in budget authority and $5,646,000,000 in outlays in fiscal year 1991.

(g) The Senate Committee on Environment and Public Works shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $51,000,000 in budget authority and $51,000,000 in outlays in fiscal year 1988, $63,000,000 in budget authority and $63,000,000 in outlays in fiscal year 1989, $66,000,000 in budget authority and $66,000,000 in outlays in fiscal year

1990, and $68,000,000 in budget authority and $68,000,000 in outlays in fiscal year 1991.

(h)(1) The Senate Committee on Finance shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $7,198,000,000 in outlays in fiscal year 1988, $0 in budget authority and $9,676,000,000 in outlays in fiscal year 1989, $0 in budget authority and $14,419,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $19,080,000,000 in outlays in fiscal year 1991.

(2) The Senate Committee on Finance shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $5,000,000,000 in fiscal year 1988; $7,100,000,000 in fiscal year 1989; $7,700,000,000 in fiscal year 1990; and $8,000,000,000 in fiscal year 1991.

(i) The Senate Committee on Governmental Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $2,631,000,000 in outlays in fiscal year 1988, $0 in budget authority and $5,003,000,000 in outlays in fiscal year 1989, $0 in budget authority and $7,386,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $10,362,000,000 in outlays in fiscal year 1991.

(j)(1) The Senate Committee on Labor and Human Resources shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $115,000,000 in budget authority and $108,000,000 in outlays in fiscal year 1988, $139,000,000 in budget authority and $137,000,000 in outlays in fiscal year 1989, $176,000,000 in budget authority and $171,000,000 in outlays in fiscal year 1990, and $221,000,000 in budget authority and $213,000,000 in outlays in fiscal year 1991.

(2) The Senate Committee on Labor and Human Resources shall report changes in the laws within its jurisdiction which provide spending authority as defined in section 3(10) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce direct loan obligations by $0 in fiscal year 1988, $0 in fiscal year 1989, $0 in fiscal year 1990, and $0 in fiscal year 1991, and sufficient to reduce primary loan guarantee commitments by $0 in fiscal year 1988, $0 in fiscal year 1989, $0 in fiscal year 1990, and $0 in fiscal year 1991.

(k)(1) The Senate Committee on Small Business shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(2) The Senate Committee on Small Business shall report changes in the laws within its jurisdiction which pro-

vide credit authority as defined in section 3(10) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce direct loan obligations by $0 in fiscal year 1988, $0 in fiscal year 1989, $0 in fiscal year 1990, and $0 in fiscal year 1991.

(l) The Senate Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $38,000,000 in budget authority and $449,000,000 in outlays in fiscal year 1988, $92,000,000 in budget authority and $403,000,000 in outlays in fiscal year 1989, $169,000,000 in budget authority and $451,000,000 in outlays in fiscal year 1990, and $243,000,000 in budget authority and $517,000,000 in outlays in fiscal year 1991.

HOUSE COMMITTEES

(m) The House Committee on Agriculture shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $0 in contributions, $5,480,000,000 in budget authority and $5,486,000,000 in outlays in fiscal year 1988, $0 in contributions, $3,881,000,000 in budget authority and $3,890,000,000 in outlays in fiscal year 1989, $0 in contributions, $5,075,000,000 in budget authority and $5,084,000,000 in outlays in fiscal year 1990, and $0 in contributions, $6,216,000,000 in budget authority and $6,224,000,000 in outlays in fiscal year 1991.

(n) The House Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $2,213,000,000 in budget authority and $2,213,000,000 in outlays in fiscal year 1988, $738,000,000 in budget authority and $738,000,000 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(o) The House Committee on Banking, Finance and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $32,000,000 in budget authority and $182,000,000 in outlays in fiscal year 1988, $40,000,000 in budget authority and $40,000,000 in outlays in fiscal year 1989, $49,000,000 in budget authority and $49,000,000 in outlays in fiscal year 1990, and $55,000,000 in budget authority and $55,000,000 in outlays in fiscal year 1991.

(p)(1) The House Committee on Education and Labor shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $1,010,000,000 in budget authority and $1,433,000,000 in outlays in fiscal year

1988, $1,127,000,000 in budget authority and $1,687,000,000 in outlays in fiscal year 1989, $1,251,000,000 in budget authority and $1,761,000,000 in outlays in fiscal year 1990, and $1,369,000,000 in budget authority and $1,892,000,000 in outlays in fiscal year 1991.

(2) The House Committee on Education and Labor shall report changes in laws within its jurisdiction which provide credit authority as defined in section 3(10) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce direct loan obligations by $0 in fiscal year 1988, $0 in fiscal year 1989, $0 in fiscal year 1990, and $0 in fiscal year 1991, and sufficient to reduce primary loan guarantee commitments by $0 in fiscal year 1988, $0 in fiscal year 1989, $0 in fiscal year 1990, and $0 in fiscal year 1991.

(q) The House Committee on Energy and Commerce shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $667,000,000 in budget authority and $7,075,000,000 in outlays in fiscal year 1988,

$87,000,000 in budget authority and $9,073,000,000 in outlays in fiscal year 1989, $118,000,000 in budget authority and $14,101,000,000 in outlays in fiscal year 1990, and $125,000,000 in budget authority and $18,980,000,000 in outlays in fiscal year 1991.

(r) The House Committee on Government Operations shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $176,000,000 in outlays in fiscal year 1988, $0 in budget authority and $180,000,000 in outlays in fiscal year 1989, $0 in budget authority and $183,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $185,000,000 in outlays in fiscal year 1991.

(s) The House Committee on Interior and Insular Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $117,000,000 in budget authority and $83,000,000 in outlays in fiscal year 1988, $134,000,000 in budget authority and $292,000,000 in outlays in fiscal year 1989, $134,000,000 in budget authority and $293,000,000 in outlays in fiscal year 1990, and $135,000,000 in budget authority and $294,000,000 in outlays in fiscal year 1991.

(t) The House Committee on Merchant Marine and Fisheries shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $355,000,000 in budget authority and $355,000,000 in outlays in fiscal year 1988, $474,000,000 in budget authority and $474,000,000 in outlays in fiscal year 1989, $474,000,000 in budget authority and $474,000,000 in outlays in fiscal year 1990, and $474,000,000 in budget authority and $474,000,000 in outlays in fiscal year 1991.

(u) The House Committee on Post Office and Civil Service shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $2,348,000,000 in outlays in fiscal year 1988, $0 in budget authority and $4,680,000,000 in outlays in fiscal year 1989, $0 in budget authority and $7,041,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $10,008,000,000 in outlays in fiscal year 1991.

(v) The House Committee on Public Works and Transportation shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $11,000,000 in budget authority and $11,000,000 in outlays in fiscal year 1988, $1,562,000,000 in budget authority and $1,722,000,000 in outlays in fiscal year 1989, $2,293,000,000 in budget authority and $2,453,000,000 in outlays in fiscal year 1990, and $5,117,000,000 in budget authority and $5,277,000,000 in outlays in fiscal year 1991.

(w)(1) The House Committee on Small Business shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $0 in outlays in fiscal year 1988, $0 in budget authority and $0 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(2) The House Committee on Small Business shall report changes in laws within its jurisdiction which provide credit authority as defined in section 3(10) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce direct loan obligations by $0 in fiscal year 1988, $0 in fiscal year 1989, $0 in fiscal year 1990, and $0 in fiscal year 1991.

(x) The House Committee on Veterans' Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $38,000,000 in budget authority and $449,000,000 in outlays in fiscal year 1988, $92,000,000 in budget authority and $403,000,000 in outlays in fiscal year 1989, $169,000,000 in budget authority and $451,000,000 in outlays in fiscal year 1990, and $243,000,000 in budget authority and $517,000,000 in outlays in fiscal year 1991.

(y)(1) The House Committee on Ways and Means shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $5,571,000,000 in outlays in fiscal year 1988, $0 in budget authority and $6,411,000,000 in outlays in fiscal year 1989, $0 in budget authority and $9,874,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $13,107,000,000 in outlays in fiscal year 1991.

(2) The House Committee on Ways and Means shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $5,000,000,000 in fiscal year 1988, $7,100,000,000 in fiscal year 1989, $7,700,000,000 in fiscal year 1990, and $8,000,000,000 in fiscal year 1991.

Calendar No. 95

100TH CONGRESS
1ST SESSION

S. CON. RES. 51

Setting forth the congressional budget for the United States Government for the fiscal years 1988, 1989, 1990, and 1991.

IN THE SENATE OF THE UNITED STATES

APRIL 15, 1987

Mr. CHILES, from the Committee on the Budget, reported, under authority of the order of the Senate of April 10 (legislative day, March 30), 1987, the following original concurrent resolution, without recommendation; which was placed on the calendar

---

CONCURRENT RESOLUTION

Setting forth the congressional budget for the United States Government for the fiscal years 1988, 1989, 1990, and 1991.

Resolved by the Senate (the House of Representatives concurring), That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1988 is established and the appropriate budgetary levels for fiscal years 1989, 1990, and 1991 are set forth.

LEVELS AND AMOUNTS

SEC. 2. (a) The following levels and amounts are set forth for purposes of determining, in accordance with the

Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution, as reported, shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution, as reported:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $934,200,000,000.
Fiscal year 1989: $1,048,800,000,000.
Fiscal year 1990: $1,143,200,000,000.
Fiscal year 1991: $1,225,100,000,000.

(2) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $1,042,200,000,000.
Fiscal year 1989: $1,103,200,000,000.
Fiscal year 1990: $1,157,100,000,000.
Fiscal year 1991: $1,210,300,000,000.

(3) The amounts of the deficits are as follows:

Fiscal year 1988: $108,000,000,000.
Fiscal year 1989: $54,400,000,000.
Fiscal year 1990: $13,900,000,000.
Fiscal year 1991: −$14,800,000,000.

(b) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1988: $693,600,000,000.
Fiscal year 1989: $787,200,000,000.
Fiscal year 1990: $856,300,000,000.
Fiscal year 1991: $914,200,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1988: $33,700,000,000.
Fiscal year 1989: $86,800,000,000.
Fiscal year 1990: $92,200,000,000.
Fiscal year 1991: $86,200,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1988: $59,700,000,000.
Fiscal year 1989: $63,900,000,000.
Fiscal year 1990: $68,900,000,000.
Fiscal year 1991: $74,300,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1988: $920,900,000,000.

Fiscal year 1989: $978,400,000,000.

Fiscal year 1990: $1,020,100,000,000.

Fiscal year 1991: $1,084,800,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1988: $839,400,000,000.

Fiscal year 1989: $889,700,000,000.

Fiscal year 1990: $930,700,000,000.

Fiscal year 1991: $970,300,000,000.

(4) The amounts of the deficits in the budget which are appropriate in the light of economic conditions and all other relevant factors are as follows:

Fiscal year 1988: $145,800,000,000.

Fiscal year 1989: $102,500,000,000.

Fiscal year 1990: $74,400,000,000.

Fiscal year 1991: $56,100,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1988: $2,562,300,000,000.

Fiscal year 1989: $2,732,400,000,000.

Fiscal year 1990: $2,872,600,000,000.

Fiscal year-1991: $2,995,300,000,000.

and the amounts by which the statutory limits on such debt should be accordingly increased are as follows:

Fiscal year 1988: $208,500,000,000.

Fiscal year 1989: $170,200,000,000.

Fiscal year 1990: $140,200,000,000.

Fiscal year 1991: $122,700,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1987, October 1, 1988, October 1, 1989, and October 1, 1990, are as follows:

Fiscal year 1988:

(A) New direct loan obligations, $34,200,000,000.

(B) New primary loan guarantee commitments, $153,000,000,000.

(C) New secondary loan guarantee commitments, $100,000,000,000.

Fiscal year 1989:

(A) New direct loan obligations, $33,200,000,000.

(B) New primary loan guarantee commitments, $147,000,000,000.

(C) New secondary loan guarantee commitments, $97,900,000,000.

Fiscal year 1990:

(A) New direct loan obligations, $37,500,000,000.

(B) New primary loan guarantee commitments, $154,700,000,000.

(C) New secondary loan guarantee commitments, $94,600,000,000.

Fiscal year 1991:

(A) New direct loan obligations, $32,200,000,000.

(B) New primary loan guarantee commitments, $162,100,000,000.

(C) New secondary loan guarantee commitments, $91,000,000,000.

(c) The Congress hereby determines and declares that the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, new primary loan guarantee commitments, and new secondary loan guarantee commitments for fiscal years 1988 through 1991 for each major functional category are:

(1) National Defense (050):

Fiscal year 1988:

(A) New budget authority, $302,700,000,000.

(B) Outlays, $293,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $316,300,000,000.

(B) Outlays, $305,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $330,600,000,000.

(B) Outlays, $318,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $345,800,000,000.

(B) Outlays, $332,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1988:

(A) New budget authority, $15,600,000,000.

(B) Outlays, $15,700,000,000.

(C) New direct loan obligations, $6,500,000,000.

(D) New primary loan guarantee commitments, $6,000,000,000.

(E) New secondary loan guarantee commitments, $6,300,000,000.

Fiscal year 1989:

(A) New budget authority, $20,700,000,000.

(B) Outlays, $14,600,000,000.

(C) New direct loan obligations, $6,500,000,000.

(D) New primary loan guarantee commitments, $6,300,000,000.

(E) New secondary loan guarantee commitments, $300,000,000.

Fiscal year 1990:

(A) New budget authority, $16,600,000,000.

(B) Outlays, $13,800,000,000.

(C) New direct loan obligations, $6,700,000,000.

(D) New primary loan guarantee commitments, $6,500,000,000.

(E) New secondary loan guarantee commitments, $300,000,000.

Fiscal year 1991:

(A) New budget authority, $16,000,000,000.

(B) Outlays, $12,000,000,000.

(C) New direct loan obligations, $7,000,000,000.

(D) New primary loan guarantee commitments, $6,800,000,000.

(E) New secondary loan guarantee commitments, $300,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1988:

(A) New budget authority, $10,900,000,000.

(B) Outlays, $10,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $12,100,000,000.

(B) Outlays, $12,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $13,600,000,000.

(B) Outlays, $13,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $14,200,000,000.

(B) Outlays, $14,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1988:

(A) New budget authority, $3,500,000,000.

(B) Outlays, —$2,800,000,000.

(C) New direct loan obligations, $2,100,000,000.

(D) New primary loan guarantee commitments, $7,300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $3,800,000,000.

(B) Outlays, $3,900,000,000.

(C) New direct loan obligations, $2,200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $3,900,000,000.

(B) Outlays, $3,900,000,000.

(C) New direct loan obligations, $2,300,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $3,900,000,000.

(B) Outlays, $3,400,000,000.

(C) New direct loan obligations, $2,400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1988:

(A) New budget authority, $16,000,000,000.

(B) Outlays, $15,100,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $16,900,000,000.

(B) Outlays, $16,400,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $17,700,000,000.

(B) Outlays, $17,900,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $18,000,000,000.

(B) Outlays, $18,200,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1988:

(A) New budget authority, $29,200,000,000.

(B) Outlays, $28,400,000,000.

(C) New direct loan obligations, $17,500,000,000.

(D) New primary loan guarantee commitments, $8,000,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $31,500,000,000.

(B) Outlays, $27,700,000,000.

(C) New direct loan obligations, $16,200,000,000.

(D) New primary loan guarantee commitments, $8,600,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $27,000,000,000.

(B) Outlays, $23,800,000,000.

(C) New direct loan obligations, $15,100,000,000.

(D) New primary loan guarantee commitments, $8,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $23,500,000,000.

(B) Outlays, $21,600,000,000.

(C) New direct loan obligations, $14,300,000,000.

(D) New primary loan guarantee commitments, $8,800,000,000.

(E) New secondary loan guarantee commitments, $0.

(7) Commerce and Housing Credit (370):

Fiscal year 1988:

(A) New budget authority, $12,800,000,000.

(B) Outlays, $7,600,000,000.

(C) New direct loan obligations, $4,000,000,000.

(D) New primary loan guarantee commitments, $91,600,000,000.

(E) New secondary loan guarantee commitments, $100,300,000,000.

Fiscal year 1989:

(A) New budget authority, $12,900,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $4,200,000,000.

(D) New primary loan guarantee commitments, $94,000,000,000.

(E) New secondary loan guarantee commitments, $97,600,000,000.

Fiscal year 1990:

(A) New budget authority, $16,200,000,000.

(B) Outlays, $7,600,000,000.

(C) New direct loan obligations, $4,400,000,000.

(D) New primary loan guarantee commitments, $99,000,000,000.

(E) New secondary loan guarantee commitments, $94,300,000,000.

Fiscal year 1991:

(A) New budget authority, $13,700,000,000.

(B) Outlays, $5,600,000,000.

(C) New direct loan obligations, $4,500,000,000.

(D) New primary loan guarantee commitments, $103,700,000,000.

(E) New secondary loan guarantee commitments, $90,700,000,000.

(8) Transportation (400):

Fiscal year 1988:

(A) New budget authority, $28,600,000,000.

(B) Outlays, $28,000,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $29,300,000,000.

(B) Outlays, $28,300,000,000.

(C) New direct loan obligations, $300,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $30,300,000,000.

(B) Outlays, $28,900,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $31,300,000,000.

(B) Outlays, $29,700,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):

Fiscal year 1988:

(A) New budget authority, $6,500,000,000.

(B) Outlays, $6,600,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $6,700,000,000.

(B) Outlays, $6,000,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $5,800,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $5,800,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1988:

(A) New budget authority, $36,000,000,000.

(B) Outlays, $32,800,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $9,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $37,900,000,000.

(B) Outlays, $36,300,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $9,100,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $39,400,000,000.

(B) Outlays, $38,200,000,000.

(C) New direct loan obligations, $1,600,000,000.

(D) New primary loan guarantee commitments, $9,200,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $41,000,000,000.

(B) Outlays, $39,800,000,000.

(C) New direct loan obligations, $1,700,000,000.

(D) New primary loan guarantee commitments, $9,200,000,000.

(E) New secondary loan guarantee commitments, $0.

(11) Health (550):

Fiscal year 1988:

(A) New budget authority, $43,900,000,000.

(B) Outlays, $43,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $47,700,000,000.

(B) Outlays, $47,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $51,900,000,000.

(B) Outlays, $51,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $56,100,000,000.

(B) Outlays, $55,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

(E) New secondary loan guarantee commitments, $0.

(12) Medicare (570):

Fiscal year 1988:

(A) New budget authority, $93,500,000,000.

(B) Outlays, $79,900,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $107,500,000,000.

(B) Outlays, $92,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $121,300,000,000.

(B) Outlays, $105,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $133,700,000,000.

(B) Outlays, $117,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1988:

(A) New budget authority, $166,800,000,000.

(B) Outlays, $129,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $174,700,000,000.

(B) Outlays, $136,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $181,100,000,000.

(B) Outlays, $141,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $215,200,000,000.

(B) Outlays, $150,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1988:

(A) New budget authority, $4,700,000,000.

(B) Outlays, $4,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $5,300,000,000.

(B) Outlays, $5,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $5,400,000,000.

(B) Outlays, $5,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1988:

(A) New budget authority, $27,400,000,000.

(B) Outlays, $27,000,000,000.

(C) New direct loan obligations, $1,200,000,000.

(D) New primary loan guarantee commitments, $30,400,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $27,700,000,000.

(B) Outlays, $27,200,000,000.

(C) New direct loan obligations, $1,100,000,000.

(D) New primary loan guarantee commitments, $28,400,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $28,000,000,000.

(B) Outlays, $27,600,000,000.

(C) New direct loan obligations, $1,000,000,000.

(D) New primary loan guarantee commitments, $30,700,000,000.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $28,400,000,000.

(B) Outlays, $28,000,000,000.

(C) New direct loan obligations, $900,000,000.

(D) New primary loan guarantee commitments, $33,000,000,000.

(E) New secondary loan guarantee commitments, $0.

(16) Administration of Justice (750):

Fiscal year 1988:

(A) New budget authority, $9,400,000,000.

(B) Outlays, $9,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $9,500,000,000.

(B) Outlays, $9,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $9,700,000,000.

(B) Outlays, $9,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $9,900,000,000.

(B) Outlays, $9,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(17) General Government (800):

Fiscal year 1988:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $6,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $6,800,000,000.

(B) Outlays, $6,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $6,900,000,000.

(B) Outlays, $6,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $7,000,000,000.

(B) Outlays, $6,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(18) General Purpose Fiscal Assistance (850):

Fiscal year 1988:

(A) New budget authority, $1,600,000,000.

(B) Outlays, $1,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $1,700,000,000.

(B) Outlays, $1,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $1,700,000,000.

(B) Outlays, $1,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $1,800,000,000.

(B) Outlays, $1,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(19) Net Interest (900):

Fiscal year 1988:

(A) New budget authority, $144,600,000,000.

(B) Outlays, $144,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $148,000,000,000.

(B) Outlays, $148,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $148,600,000,000.

(B) Outlays, $148,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $148,200,000,000.

(B) Outlays, $148,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(20) Allowances (920):

Fiscal year 1988:

(A) New budget authority, −$2,500,000,000.

(B) Outlays, −$5,600,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, −$1,600,000,000.

(B) Outlays, −$4,300,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, $1,100,000,000.

(B) Outlays, −$1,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, $4,700,000,000.

(B) Outlays, $3,200,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

(21) Undistributed Offsetting Receipts (950):

Fiscal year 1988:

(A) New budget authority, −$37,100,000,000.

(B) Outlays, −$37,100,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, −$37,000,000,000.

(B) Outlays, −$37,000,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1990:

(A) New budget authority, −$37,700,000,000.

(B) Outlays, −$37,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

Fiscal year 1991:

(A) New budget authority, −$39,800,000,000.

(B) Outlays, −$39,800,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 3. (a) Not later than May 15, 1987, the committees named in subsections (b) through (n) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

SENATE COMMITTEES

(b) The Senate Committee on Agriculture, Nutrition, and Forestry shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $7,308,000,000 in contributions, $2,135,000,000 in budget authority and $2,135,000,000 in outlays in fiscal year 1988, $0 in contributions, $829,000,000 in budget authority and $829,000,000 in outlays in fiscal year 1989, $0 in contributions, $2,089,000,000 in budget authority and $2,089,000,000 in outlays in fiscal year 1990, and $0 in contributions,

$1,654,000,000 in budget authority and $1,654,000,000 in outlays in fiscal year 1991.

(c) The Senate Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $2,213,000,000 in budget authority and $2,213,000,000 in outlays in fiscal year 1988, $738,000,000 in budget authority and $738,000,000 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(d) The Senate Committee on Energy and Natural Resources shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows:

$55,000,000 in budget authority and $51,000,000 in outlays in fiscal year 1988, $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1989, $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1990, and $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1991.

(e)(1) The Senate Committee on Finance shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $3,966,000,000 in outlays in fiscal year 1988, $0 in budget authority and $4,456,000,000 in outlays in fiscal year 1989, $0 in budget authority and $5,647,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $6,844,000,000 in outlays in fiscal year 1991.

(2) The Senate Committee on Finance shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $33,700,000,000 in fiscal year 1988; $86,800,000,000 in fiscal year 1989; $92,200,000,000 in fiscal year 1990; and $86,200,000,000 in fiscal year 1991.

(f) The Senate Committee on Governmental Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $176,000,000 in budget authority and $176,000,000 in outlays in fiscal year 1988, $181,000,000 in budget authority and $181,000,000 in outlays in fiscal year 1989, $186,000,000 in budget authority and $186,000,000 in outlays in fiscal year 1990, and $190,000,000 in budget authority and $190,000,000 in outlays in fiscal year 1991.

(g) The Senate Committee on Small Business shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $70,000,000 in budget authority and $597,000,000 in outlays in fiscal year 1988,

$0 in budget authority and $315,000,000 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

HOUSE COMMITTEES

(h) The House Committee on Agriculture shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, or (3) any combination thereof, sufficient to increase contributions and reduce budget authority and outlays as follows: $7,308,000,000 in contributions, $2,135,000,000 in budget authority and $2,135,000,000 in outlays in fiscal year 1988, $0 in contributions, $829,000,000 in budget authority and $829,000,000 in outlays in fiscal year 1989, $0 in contributions, $2,089,000,000 in budget authority and $2,089,000,000 in outlays in fiscal year 1990, and $0 in contributions, $1,654,000,000 in budget authority and $1,654,000,000 in outlays in fiscal year 1991.

(i) The House Committee on Armed Services shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of

1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $2,213,000,000 in budget authority and $2,213,000,000 in outlays in fiscal year 1988, $738,000,000 in budget authority and $738,000,000 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(j) The House Committee on Energy and Commerce shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $0 in budget authority and $3,260,000,000 in outlays in fiscal year 1988, $0 in budget authority and $3,760,000,000 in outlays in fiscal year 1989, $0 in budget authority and $4,290,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $6,010,000,000 in outlays in fiscal year 1991.

(k) The House Committee on Government Operations shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $176,000,000 in budget authority and $176,000,000 in outlays in fiscal year 1988, $181,000,000 in budget authority and $181,000,000 in outlays in fiscal year 1989, $186,000,000 in budget authority and $186,000,000 in outlays in fiscal year 1990, and $190,000,000 in budget authority and $190,000,000 in outlays in fiscal year 1991.

(l) The House Committee on Interior and Insular Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $55,000,000 in budget authority and $51,000,000 in outlays in fiscal year 1988,

$60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1989, $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1990, and $60,000,000 in budget authority and $60,000,000 in outlays in fiscal year 1991.

(m) The House Committee on Small Business shall report (1) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (3) any combination thereof, as follows: $70,000,000 in budget authority and $597,000,000 in outlays in fiscal year 1988, $0 in budget authority and $315,000,000 in outlays in fiscal year 1989, $0 in budget authority and $0 in outlays in fiscal year 1990, and $0 in budget authority and $0 in outlays in fiscal year 1991.

(n)(1) The House Committee on Ways and Means shall report (A) changes in laws within its jurisdiction which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce budget authority and outlays, (B) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to reduce budget authority and outlays, or (C) any combination thereof, as follows: $0 in budget authority and $3,966,000,000 in outlays in fiscal year 1988, $0 in budget authority and $4,456,000,000 in outlays in fiscal year 1989, $0 in budget authority and $5,647,000,000 in outlays in fiscal year 1990, and $0 in budget authority and $6,844,000,000 in outlays in fiscal year 1991.

(2) The House Committee on Ways and Means shall report changes in laws within its jurisdiction sufficient to increase revenues as follows: $33,700,000,000 in fiscal year 1988, $86,800,000,000 in fiscal year 1989, $92,200,000,000 in fiscal year 1990, and $86,200,000,000 in fiscal year 1991.

SENSE OF THE CONGRESS

SEC. 4. It is the sense of the Congress that the Government of the United States shall sell loan assets, in addition to those reconciled in section 3, producing net proceeds as follows: $0 in budget authority and $3,500,000,000 in fiscal year 1988, $0 in budget authority and $2,970,000,000 in outlays in fiscal year 1989, $0 budget authority and $2,440,000,000 in fiscal year 1990, and $0 in budget authority and $1,910,000,000 in outlays in fiscal year 1991.

COMMITTEE AMENDMENT

The Committee authorizes the Chairman to offer an amendment on behalf of the Committee, without Committee recommendation, to make the following changes in the resolution that the Committee reported favorably:

Increase the amount of Federal revenues set forth in section 2(a)(1) by $1,000,000,000 for fiscal year 1988.

Increase the amount of total budget outlays set forth in section 2(a)(2) by $1,000,000,000 for fiscal year 1988.

Increase the amount of Federal revenues set forth in section 2(b)(1) by $1,000,000,000 for fiscal year 1988.

Increase the amount of total budget outlays set forth in section 2(b)(2) by $1,000,000,000 for fiscal year 1988.

Increase the amount of Federal revenues set forth in section 3(b)(1) by $1,000,000,000 for fiscal year 1988.

Increase the amount of increase in Federal revenues set forth in section 3(b)(1) by $1,000,000,000 for fiscal year 1988.

Increase the amount of total new budget authority set forth in section 3(b)(2) by $1,000,000,000 for fiscal year 1988.

Increase the amount of total budget outlays set forth in section 3(b)(3) by $1,000,000,000 for fiscal year 1988.

Increase the amount of new budget authority for function 350 set forth in section 3(c)(6)(A) by $600,000,000 for fiscal year 1988.

Increase the amount of outlays for function 350 set forth in section 3(c)(6)(B) by $600,000,000 for fiscal year 1988.

Increase the amount of new budget authority for function 450 set forth in section 3(c)(9)(A) by $350,000,000 for fiscal year 1988.

Increase the amount of outlays for function 450 set forth in section 3(c)(9)(B) by $350,000,000 for fiscal year 1988.

Increase the amount of new budget authority for function 800 set forth in section 3(c)(17)(A) by $50,000,000 for fiscal year 1988.

Increase the amount of outlays for function 800 set forth in section 3(c)(17)(B) by $50,000,000 for fiscal year 1988.

Increase the amount of revenues reconciled to the Senate Committee on Finance in section 4(h)(2) by $1,000,000,000 for fiscal year 1988.

Increase the amount of revenues reconciled to the House Committee on Ways and Means in section 4(u)(2) by $1,000,000,000 for fiscal year 1988.

Chapter V. ENFORCEMENT PROCEDURES

Reconciliation

Section 310(a) of the Budget Act provides for inclusion of reconciliation instructions in budget resolutions. In these instructions, Congress may direct committees to report out legislation by a certain date to change:

—New budget authority;
—Budget authority initially provided for prior years;
—New entitlement authority;
—Credit authority;
—Revenues; and
—The debt limit.

The resolution for fiscal year 1988 contains out-year reconciliation instructions for the 3 years following the year of the budget resolution. Out-year reconciliation instructions constitute an important means for Congress to control the budget process and establish budget priorities. This year, the reconciliation instructions cover the 4-year period extending to the end of the Gramm-Rudman-Hollings deficit reduction schedule. These reconciliation instructions will help achieve the goal of eliminating the deficit by 1991.

The resolution for fiscal year 1988 includes instructions that direct that the committees of Congress take actions that would result in outlay savings of $10.4 billion in fiscal year 1988, $15.0 billion in fiscal year 1989, $21.3 billion in fiscal year 1990, and $26.8 billion in fiscal year 1991. Revenue increases in the reconciliation instructions total $11.3 billion in fiscal year 1988, $23.5 billion in fiscal year 1989, $23.5 billion in fiscal year 1990, and $32.5 billion in fiscal year 1991. The instructions recommend increases in contributions totaling $7.2 billion in fiscal year 1988.

Chapter IV of this report, entitled "Summary of Recommendations," discusses the major program reductions assumed by the Committee on the Budget in developing these instructions. The following tables summarize these assumptions.

The instructions contained in this resolution direct Senate and House committees to transmit their recommendations by May 15, 1987. Section 310(b) of the Budget Act provides that multi-committee reconciliation legislation be referred to the Committees on the Budget. The Committees on the Budget then package these recommendations, making no substantive changes, and report the resulting reconciliation bills to their respective chambers.

Reconciliation permits Congress to instruct its committees to revise existing laws in order to achieve spending reductions consistent with the budget resolution. The process allows individual committees to exercise their judgment regarding which laws to change and which changes to make. Reconciliation recognizes existing committee jurisdiction over programs while enabling the Congress rationally to consider its fiscal policies.

On the Senate floor, section 310(d)(2) of the Budget Act prohibits any amendment to reconciliation legislation that would cause deficits to increase. The Byrd Rule (section 20001 of the Consolidated Omnibus Reconciliation Act of 1985, as amended) prohibits extraneous amendments. Section 310(e)(1) of the Budget Act applies provisions regarding germaneness and mathematical consistency. Finally, section 310(g) prohibits any reconciliation legislation that changes the old-age, survivors, and disability insurance program established under title II of the Social Security Act.

Table 1

RECONCILIATION IN COMMITTEE RECOMMENDATION BY SENATE COMMITTEE

[Savings in millions of dollars]

Committee/program		1988	1989	1990	1991
AGRICULTURE					
Spending:					
Farm programs	BA	−1,600	−1,600	−2,800	−2,100
	O	−1,600	−1,600	−2,800	−2,100
Other:					
REA direct loan prepayment	BA	−98	−98	−96	−93
	O	−98	−98	−96	−93
REA repayment offset	BA	....	9	16	23
	O	....	9	16	23
Forest Service receipts	BA	190	190	198	205
	O	190	190	198	205
REA fees	BA	−32	−32	−32	−32
	O	−32	−32	−32	−32
Meat and poultry fees	BA	−201	−204	−206	−206
	O	−201	−204	−206	−206
Subtotal, spending	BA	−2,121	−2,115	−3,316	−2,613
	O	−2,121	−2,115	−3,316	−2,613
Contributions:					
REA guaranteed loans prepayment		−7,200	....	....	....
Total	BA	−2,121	−2,115	−3,316	−2,613
	O	−9,321	−2,115	−3,316	−2,613

Table 1—Continued

[Savings in millions of dollars]

Committee/program		1988	1989	1990	1991
ARMED SERVICES					
DOD Military and Coast Guard pay	BA	....	....	....	....
	O	−926	−3,268	−5,618	−8,516
DOD Military and Coast Guard pay offsets	BA	....	....	....	....
	O	156	902	1,611	2,485
Total	BA	....	....	....	....
	O	−770	−2,366	−4,007	−6,031
COMMERCE					
FCC unassigned spectrum	BA	−600	....	....	....
	O	−600	....	....	....
Sec 32 (NOAA share)	BA	−54	−54	−54	−54
	O	−36	−51	−53	−53
Coast Guard user fees	BA	−276	−276	−276	−275
	O	−276	−276	−276	−275
Total	BA	−930	−330	−330	−329
	O	−912	−327	−329	−328
ENERGY AND NATURAL RESOURCES					
Power marketing	BA	....	−138	−128	−147
	O	....	−438	−413	−414
Bureau of Reclamation	BA	−45	−45	−45	−45
	O	−45	−45	−45	−45
Competitive leasing	BA	−30	−30	−30	−30
	O	−30	−30	−30	−30
Grazing fees	BA	−8	−11	−11	−11
	O	−8	−11	−11	−11
Recreation user fees	BA	−18	−19	−20	−21
	O	−18	−19	−20	−21
Mineral receipts	BA	−55	−60	−60	−60
	O	−51	−60	−60	−60
Forest Service receipts	BA	−190	−190	−198	−205
	O	−190	−190	−198	−205
BLM receipts	BA	−29	−30	−31	−32
	O	....	−29	−30	−32
PILT	BA	....	30	30	30
	O	....	30	30	30
Total	BA	−375	−493	−493	−521
	O	−342	−792	−777	−788

Table 1—Continued

[Savings in millions of dollars]

Committee/program		1988	1989	1990	1991
ENVIRONMENTAL AND PUBLIC WORKS					
NRC fees	BA	−150	−152	−153	−153
	O	−150	−152	−153	−153
EPA user fees	BA	−40	−43	−45	−46
	O	−40	−43	−45	−46
Total	BA	−190	−195	−198	−199
	O	−190	−195	−198	−199
FINANCE					
PBGC	BA	....	....	....	....
	O	−911	−900	−913	−1,077
Medicare (no beneficiary out-of-pocket increase).	BA	....	....	....	....
	O	−3,300	−3,800	−4,900	−6,000
Child support guidelines	BA	....	....	....	....
	O	−30	−110	−145	−160
Subtotal, spending	BA	....	....	....	....
	O	−4,241	−4,810	−5,958	−7,167
Revenues	BA	....	....	....	....
	O	11,300	−23,500	−23,500	−32,500
Total	BA	....	....	....	....
	O	−15,541	−28,310	−29,458	−39,667
GOVERNMENTAL AFFAIRS					
2 percent civilian pay raises	BA	....	....	....	....
	O	−496	−3,119	−5,806	−9,168
Civilian pay offsets	BA	....	....	....	....
	O	+83	+560	+1,067	+1,720
Civilian agency within-grade delay	BA	....	....	....	....
	O	−179	−429	−598	−768
Within-grade pay offsets	BA	....	....	....	....
	O	+58	+152	+223	+293
DOD civilian within-grade delay	BA	....	....	....	....
	O	−171	−399	−560	−703
Travel	BA	....	....	....	....
	O	−325	−336	−360	−377

Table 1—Continued

[Savings in millions of dollars]

Committee/program		1988	1989	1990	1991
Federal Supply Service	BA				
	O	−176	−181	−185	−189
Contribution recovery		−712	−650	−615	−578
Total	BA				
	O	−1,918	−4,402	−6,834	−9,770
LABOR AND HUMAN RESOURCES					
Service user fees	BA	−80	−110	−110	−110
	O	−80	−110	−110	−110
Total	BA	−80	−110	−110	−110
	O	−80	−110	−110	−110
VETERANS AFFAIRS					
Increase real property cash sales	BA	−56	−32		
	O	−56	−32	−13	+2
Total	BA	−56	−32		
	O	−56	−32	−13	+2

Allocation of Spending and Credit Responsibilities to Senate Committees

COMMITTEE ALLOCATIONS

Section 302(a)(2) of the Budget Act requires that the statement of the managers accompanying the conference report on the Budget Resolution allocate, based upon the Budget Resolution, the appropriate levels of total budget outlays, total new budget authority, and new credit authority among the congressional committees that have jurisdiction over legislation providing such authority. Section 301(e)(9) requires the Budget Committee's report accompanying the Budget Resolution to include those same allocations.

The method for allocating the Budget Resolution totals this year parallels last year's. All permanent appropriations of budget authority or outlays are allocated to the committee that wrote the permanent law. All "current" appropriations—amounts to be provided by this year's appropriation bills—are allocated to the Appropriations Committee. Credit and entitlement authority are also allocated to committees. All amounts associated with an existing entitlement law are allocated to the authorizing committee that wrote the law. This is the case whether the entitlement is funded by permanent or current appropriations.

SECTION 302(b) SUBDIVISIONS BY COMMITTEES

Section 302(b) of the Act provides that following adoption of the Budget Resolution conference report, each committee shall subdivide its section 302(a) allocation. The Appropriations Committee subdivides its amounts among its 13 subcommittees and further subdivides the amount with respect to each subcommittee between controllable amounts and all other amounts.

Every other committee to which an allocation is made also subdivides the allocation among its subcommittees or among programs over which it has jurisdiction, and further subdivides the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

SCOREKEEPING AND ENFORCEMENT

These subdivisions become the official scorekeeping targets that the Senate uses in measuring spending bills. For this reason, section 302(c) requires that each committee file its 302(b) subdivisions before it may bring spending or credit legislation to the floor. Once the committees have filed, section 302(f) prohibits consideration of any measure that, if enacted, would breach a committee's 302(b) allocation.

Table 2

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1988

[In millions of dollars]

Committees	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations	582,564	593,615		
Agriculture, Nutrition and Forestry	25,458	28,125	−18,523	4,425
Armed Services	44,256	30,359	161	161
Banking, Housing, and Urban Affairs	6,774	3,846		
Commerce, Science, and Transportation	848	−388	393	393
Energy and Natural Resources	1,286	893	28	28
Environment and Public Works	16,095	737	6	6
Finance	603,308	544,496	57,028	57,064
Foreign Relations	7,304	7,247		
Governmental Affairs	63,803	39,524		
Judiciary	1,701	786	98	98
Labor and Human Resources	3,104	2,466	4,038	4,611
Rules and Administration	82	262		
Small Business	43			
Veterans' Affairs	1,552	1,228	15,201	15,212
Select Indian Affairs	531	413		
Not allocated to committees	−200,909	−200,909		
Total	1,157,800	1,052,700	58,430	81,998

Table 3

SENATE COMMITTEE CREDIT AUTHORITY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FOR 1988

[In millions of dollars]

Committees	Direct loans	Primary loan guarantees	Secondary loan guarantee
Appropriations	16,352	103,635	100,575
Agriculture, Nutrition and Forestry	16,364	12,814	
Armed Services			
Banking, Housing, and Urban Affairs	30	301	
Commerce, Science, and Transportation	307		
Energy and Natural Resources			
Environment and Public Works	280		
Finance	3		
Foreign Relations			
Governmental Affairs			
Judiciary			
Labor and Human Resources		9,350	
Rules and Administration			
Small Business			
Veterans' Affairs	664	30,400	
Select Indian Affairs			
Not allocated to committees			
Total	34,000	156,500	100,575

The Historical Success of Enforcement Procedures

Some participants in the budget process have called for wholesale revisions in the way Congress prepares and carries out the budget. While improvements may be in order, a new process alone will not solve the problems associated with large deficits. In fact, the current process has worked in instituting fiscal discipline in Congress and enforcing the spending limits set by the Budget Committee.

RECONCILIATION

Binding reconciliation has been highly effective in reducing Federal spending and the deficit since its inception. Since 1982, Congress has achieved 108 percent on average of the first-year savings issued in reconciliation instructions from the Budget Committee. In no year did Congress achieve less than 91 percent of first-year savings through reconciliation.[1]

The 3-year savings achieved by reconciliation averaged 104 percent of the savings instructions from 1982 through 1986. For 1987, only 70 percent of the 3-year savings were successfully reconciled. However, this was the result of Congress using one-time-only savings such as asset sales to meet the first-year target of Gramm-Rudman-Hollings. These one-shot savings do nothing to reduce spending in the out-years and thus have no impact on the permanent deficit.

COMMITTEE ALLOCATIONS

In recent years, Congress has also been successful in controlling appropriated spending through the institution of the points of order under section 302 of the Budget Act described above. In 1986, total appropriated spending was held $1.7 billion below the Appropriations Committee's allocations. In 1987, the spending limit was exceeded slightly by $263 million. This compares with earlier years when the points of order under section 302 did not exist for outlays and spending limits were substantially exceeded by the Appropriations Committee: $6 billion in 1983 and $3 billion in 1984. Savings achieved in the budget year reduce the baseline for all succeeding out-years.

New Enforcement Procedures

The Budget Resolution contains a number of miscellaneous and sense of the Congress provisions designed to enforce the limits contained in the Budget Resolution. Section 301(b)(4) of the Budget Act provides that Budget Resolutions may "set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act." Furthermore, as the Budget Resolution is a concurrent resolution, it may include sense of the Congress language just like any other concurrent resolution.

DEFICIT REDUCTION ACCOUNT

Section 5 of the Budget Resolution provides the sense of the Congress that the appropriate committees should report out legislation to create a deficit reduction account. Any new revenues collected as a result of revenue reconciliation would be deposited in this account. They would then not be available for appropriation. These revenues would be used solely to retire outstanding debt obligations of the U.S. Government.

---

[1] Data for 1984 are excluded because reconciliation was passed in two stages in the spring of 1984. Combined numbers for the two stages are unavailable in complete detail but are probably nearly equal or more than the savings called for in the instructions.

Furthermore, revenue increases resulting from the reconciliation language of subsections 4(h)(2) and 4(u)(2) would not be effective for any year in which the committees of Congress exceeded their spending levels. A final provision ensures that this language would not be considered extraneous.

SALE OF GOVERNMENT ASSETS

Section 6 of the Budget Resolution provides that the sale of Government assets should not be counted for purposes of deficit reduction in the current fiscal year or for purposes of allowing further spending in the current year. The receipts from such sales would be available solely to reduce the national debt. Because asset sales make revenue available on a one-time basis, it is unrealistic to count these receipts just as one would count any other revenue. In fact, an asset sale places a burden on the demand for credit just as does the national debt that the sale is meant to decrease.

LOAN PREPAYMENT

Similarly, section 7 of the Budget Resolution prevents the use for new spending of proceeds from the prepayment of certain Government loans.

RESERVE FUND FOR THE WELFARE REFORM INITIATIVE

Section 8 fences off revenues for the anticipated welfare reform initiative. This provision allocates funds already in the Budget Resolution. Without this provision, spending on other programs could use this money, and welfare reform would increase the deficit when it came.

When welfare reform legislation is enacted, the appropriate committees' section 302(a) allocations will automatically be adjusted to include the reserved funds. The appropriate committees of Congress will then be able to issue revised reports allocating funds among their subcommittees or programs, permitting the initiative to proceed without points of order that would otherwise lie.

MEDICARE CATASTROPHIC INSURANCE RESERVE FUND

This section provides that before room is made in the budget for the anticipated medicare catastrophic insurance initiative, legislation must ensure its deficit neutrality. If and when legislation is enacted that will ensure the deficit neutrality of the initiative, the budget aggregates and section 302 allocations will be automatically adjusted, permitting the initiative to proceed without points of order that would otherwise lie.

Chapter VI. SUMMARY TABLES

COMMITTEE RECOMMENDATION BY FUNCTION

[In billions of dollars]

Function		1988	1989	1990	1991
050: National Defense	BA	289.0	294.8	297.9	301.1
	O	283.6	288.0	292.0	296.0
150: International Affairs	BA	15.8	20.3	16.0	15.3
	O	15.8	14.3	13.3	11.3
250: General Science, Space, and Technology	BA	11.5	13.7	15.2	15.8
	O	11.2	13.1	14.8	15.5
270: Energy	BA	4.8	5.4	5.0	4.6
	O	4.8	4.2	4.3	3.9
300: Natural Resources and Environment	BA	16.0	16.5	16.9	16.8
	O	15.1	16.2	17.3	17.2
350: Agriculture	BA	29.2	30.1	25.5	22.2
	O	28.4	26.2	22.3	20.3
370: Commerce and Housing Credit	BA	12.2	12.4	15.4	12.8
	O	7.5	5.4	6.8	4.8
400: Transportation	BA	29.1	29.3	30.0	30.7
	O	28.1	27.7	27.4	27.3
450: Community and Regional Development	BA	6.9	6.8	6.8	6.5
	O	6.7	6.2	6.0	5.9
500: Education, Training, Employment, and Social Services	BA	35.1	36.0	37.2	38.8
	O	32.8	35.2	36.4	37.8
550: Health	BA	44.6	47.9	51.7	55.9
	O	44.0	47.9	51.4	55.4
570: Medicare	BA	93.3	102.7	113.3	123.9
	O	79.8	88.8	99.5	111.0
600: Income Security	BA	168.0	175.5	181.6	215.3
	O	129.9	137.0	142.3	151.1
650: Social Security	BA	256.8	281.5	310.6	338.8
	O	220.7	235.4	252.0	269.7

COMMITTEE RECOMMENDATION BY FUNCTION—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
700: Veterans Benefits and Services	BA	27.9	28.0	27.9	28.2
	O	27.3	27.4	27.6	27.9
750: Administration of Justice	BA	9.6	9.6	9.6	9.6
	O	9.4	9.6	9.6	9.6
800: General Government	BA	7.6	7.6	7.8	7.8
	O	7.1	7.0	7.2	7.1
850: General Purpose Fiscal Assistance	BA	1.6	1.6	1.6	1.7
	O	1.6	1.6	1.6	1.7
900: Net Interest	BA	139.2	142.3	142.9	140.8
	O	139.2	142.3	142.9	140.8
920: Allowances	BA	−0.3	0.0	0.4	0.8
	O	−0.3	0.1	0.5	1.0
950: Undistributed Offsetting Receipts	BA	−40.1	−41.2	−42.6	−43.7
	O	−40.1	−41.2	−42.6	−43.7
Total spending	BA	1,157.8	1,220.8	1,270.7	1,343.7
	O	1,052.7	1,092.3	1,132.8	1,171.3
Revenues		919.0	985.5	1,074.5	1,171.4
Deficit		−133.7	−106.8	−58.3	+0.1

CBO REVISED BASELINE BY FUNCTION

[In billions of dollars]

Function		1988	1989	1990	1991
050: National Defense	BA	302.7	316.3	330.6	345.8
	O	290.5	303.4	317.1	332.3
150: International Affairs	BA	17.5	23.2	20.0	20.2
	O	16.8	16.4	16.5	15.6
250: General Science, Space, and Technology	BA	10.6	11.0	11.6	12.1
	O	10.7	11.5	11.9	12.2
270: Energy	BA	5.4	6.3	6.4	6.5
	O	5.4	5.3	5.5	5.5
300: Natural Resources and Environment	BA	16.5	17.5	18.3	18.7
	O	15.5	16.9	18.5	18.8
350: Agriculture	BA	30.9	31.8	28.6	24.6
	O	30.0	28.0	25.3	22.8
370: Commerce and Housing Credit	BA	13.1	13.0	16.2	13.7
	O	8.3	5.8	7.5	5.6
400: Transportation	BA	29.7	30.5	31.5	32.6
	O	28.8	29.4	30.1	30.9
450: Community and Regional Development	BA	7.9	8.0	8.2	8.2
	O	6.8	6.7	7.0	7.2
500: Education, Training, Employment, and Social Services	BA	34.3	36.1	37.5	38.9
	O	32.6	34.7	36.4	37.9
550: Health	BA	44.5	48.4	52.6	56.9
	O	44.1	48.2	52.1	56.3
570: Medicare	BA	93.4	103.2	114.2	125.2
	O	83.1	92.6	104.4	117.0
600: Income Security	BA	168.0	176.1	182.6	216.7
	O	131.4	138.8	144.4	153.6
650: Social Security	BA	256.8	281.5	310.6	338.8
	O	221.0	235.6	252.2	269.9
700: Veterans Benefits and Services	BA	27.9	28.3	28.5	29.0
	O	27.4	27.7	28.1	28.6
750: Administration of Justice	BA	9.4	9.5	9.7	9.9
	O	9.1	9.5	9.7	9.8
800: General Government	BA	7.3	7.4	7.7	7.8
	O	6.9	6.9	7.2	7.4

CBO REVISED BASELINE BY FUNCTION—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
850: General Purpose Fiscal Assistance	BA	1.9	1.9	2.0	2.0
	O	1.9	1.9	2.0	2.0
900: Net Interest	BA	140.4	146.7	151.4	154.8
	O	140.4	146.7	151.4	154.8
920: Allowances	BA	0.9	3.1	5.4	8.0
	O	0.9	3.3	5.7	8.6
950: Undistributed Offsetting Receipts	BA	−40.4	−42.9	−45.4	−48.2
	O	−40.4	−42.9	−45.4	−48.2
Total Spending	BA	1,178.5	1,256.9	1,328.2	1,422.4
	O	1,071.1	1,126.3	1,187.8	1,248.4
Revenues		900.5	962.0	1,051.0	1,138.9
Deficit		−170.7	−164.3	−136.7	−109.5

CBO REESTIMATE OF THE PRESIDENT'S 1988 BUDGET REQUEST BY FUNCTION

[In billions of dollars]

Function		1988	1989	1990	1991
050: National Defense	BA	311.8	332.0	353.0	374.4
	O	298.3	312.6	331.1	349.8
150: International Affairs	BA	19.5	20.3	20.7	20.3
	O	16.6	17.0	17.3	16.3
250: General Science, Space, and Technology	BA	11.5	12.9	13.5	14.1
	O	11.2	12.8	13.7	14.1
270: Energy	BA	2.5	3.6	3.8	4.2
	O	3.3	2.6	2.7	2.6
300: Natural Resources and Environment	BA	14.1	15.1	15.1	14.4
	O	14.1	15.3	15.9	15.5
350: Agriculture	BA	25.7	27.0	22.5	17.7
	O	24.9	23.3	19.3	15.2
370: Commerce and Housing Credit	BA	11.7	10.0	12.1	9.7
	O	4.3	1.4	2.7	0.2
400: Transportation	BA	24.9	24.8	24.9	25.8
	O	27.0	26.4	26.1	26.1
450: Community and Regional Development	BA	5.6	5.6	5.7	5.8
	O	5.2	4.5	4.4	4.6
500: Education, Training, Employment, and Social Services	BA	29.1	28.3	27.8	27.6
	O	28.5	28.7	28.0	27.8
550: Health	BA	43.5	44.3	45.7	47.4
	O	40.8	42.5	44.5	46.7
570: Medicare	BA	93.9	103.9	114.3	124.9
	O	78.0	86.5	94.5	103.7
600: Income Security	BA	162.1	170.2	176.7	194.0
	O	127.2	133.2	138.2	146.5
650: Social Security	BA	257.3	282.3	311.5	339.9
	O	220.8	235.4	251.9	269.5
700: Veterans Benefits and Services	BA	27.6	28.2	28.3	28.6
	O	26.7	27.1	27.4	28.0
750: Administration of Justice	BA	9.0	9.1	9.1	9.3
	O	9.2	9.2	9.1	9.3
800: General Government	BA	7.8	8.1	8.2	8.2
	O	7.7	8.2	8.3	8.2

CBO REESTIMATE OF THE PRESIDENT'S 1988 BUDGET REQUEST BY FUNCTION—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
850: General Purpose Fiscal Assistance	BA	1.5	1.6	1.6	1.6
	0	1.5	1.6	1.6	1.6
900: Net Interest	BA	139.0	143.2	145.3	145.0
	0	139.0	143.2	145.3	145.0
920: Allowances	BA	−1.3	0.5	3.0	5.4
	0	−1.2	0.7	3.2	5.7
950: Undistributed Offsetting Receipts	BA	−43.5	−45.4	−47.8	−53.1
	0	−43.5	−45.4	−47.8	−53.1
Total	BA	1,153.4	1,225.5	1,294.8	1,365.1
	0	1,039.7	1,086.8	1,137.3	1,183.1
Revenues		905.4	969.1	1,058.8	1,146.9
Deficit		−134.3	−117.7	−78.5	−36.2

1988 ILLUSTRATIVE SEQUESTER BY FUNCTION

[In billions of dollars]

Function		1988	1989	1990	1991
050: National Defense	BA	251.0	262.6	274.6	287.5
	O	260.4	261.1	267.8	278.7
150: International Affairs	BA	13.3	18.9	15.5	15.5
	O	14.3	13.2	12.6	11.2
250: General Science, Space, and Technology	BA	9.7	10.1	10.5	11.0
	O	9.0	9.8	10.8	11.1
270: Energy	BA	2.2	2.9	2.9	2.9
	O	3.6	2.7	2.3	2.1
300: Natural Resources and Environment	BA	11.6	13.0	13.0	13.2
	O	12.5	12.5	13.2	13.3
350: Agriculture	BA	28.8	29.1	27.9	24.0
	O	27.7	25.3	24.7	22.1
370: Commerce and Housing Credit	BA	10.8	10.4	13.5	11.0
	O	6.9	3.8	5.0	2.9
400: Transportation	BA	23.0	23.9	24.7	25.4
	O	26.4	25.0	24.3	24.4
450: Community and Regional Development	BA	6.3	6.0	6.1	6.0
	O	6.1	5.7	5.3	5.2
500: Education, Training, Employment, and Social Services	BA	28.0	29.8	30.9	32.1
	O	30.3	29.4	30.1	31.3
550: Health	BA	41.3	45.1	49.2	53.3
	O	42.1	45.2	48.9	52.9
570: Medicare	BA	93.4	103.2	114.2	125.2
	O	81.4	92.1	103.9	116.5
600: Income Security	BA	167.2	172.9	179.2	213.2
	O	129.2	137.3	142.4	151.4
650: Social Security	BA	256.8	281.5	310.6	338.8
	O	220.4	235.0	251.6	269.3
700: Veterans Benefits and Services	BA	26.4	26.9	27.1	27.5
	O	26.1	26.4	26.8	27.1
750: Administration of Justice	BA	6.8	6.9	7.0	7.1
	O	6.9	7.1	7.0	7.0
800: General Government	BA	5.8	5.9	6.1	6.1
	O	5.5	4.8	5.1	5.1

1988 ILLUSTRATIVE SEQUESTER BY FUNCTION—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
850: General Purpose Fiscal Assistance	BA	1.7	1.8	1.8	1.9
	O	1.5	1.8	1.8	1.9
900: Net Interest	BA	138.4	139.5	138.2	134.9
	O	138.4	139.5	138.2	134.9
920: Allowances	BA	0.9	3.1	5.4	8.0
	O	0.8	3.3	5.7	8.6
950: Undistributed Offsetting Receipts	BA	−41.0	−42.9	−45.4	−48.2
	O	−41.0	−42.9	−45.4	−48.2
Total	BA	1082.4	1150.6	1213.0	1296.4
	O	1008.5	1038.1	1082.1	1128.8
Revenues		900.5	962.0	1,051.0	1,138.9
Deficit		−108.0	−76.1	−31.1	+10.1

Chapter VII. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Baseline Funding

The Federal Government provides financial assistance to States and localities to support public education, law enforcement and road, sewer, and other infrastructure construction. In addition, Federal aid helps pay the costs of various income maintenance programs and bolsters local efforts to promote economic development and job creation.

The rate of growth in Federal assistance to State and local governments has slowed precipitously over the past 7 years. Moreover, Federal aid has dwindled as a fraction of total State and local expenditures. As of 1986, Federal grants-in-aid accounted for less than 21 percent of all State and local expenditures compared to a nearly 26 percent share in 1980. Since 1981, outlays for grants to State and local governments have grown from $94.8 billion to an estimated $109.8 billion in 1987. On average, this represents an annual increase of only 2.6 percent compared to a 28-percent yearly rise during the last decade.

The President's Budget

The President's budget proposes to continue and accelerate the decline of Federal aid to State, city, and county governments. As reestimated by CBO, the President's budget would cut grant-in-aid outlays by $7 billion in 1988 and would reduce budget authority by nearly $18 billion. By 1991, the President's budget would be $21.4 billion in outlays and $44.7 in budget authority below the CBO baseline.

The President's plan includes terminations or phase-outs of more than 40 programs including mass transit discretionary grants, urban development action grants, sewage construction grants, rural water and waste disposal grants, housing development action grants, vocational education assistance, math/science grants, and community services block grants. Major reductions are also achieved in the medicaid program.

Committee Recommendation

The Committee recommendation for grants to State and local governments reflects the belief that our current system of federalism should be maintained. The Committee recommendation rejects the administration's budget proposals which, to a large extent, would dismantle the current Federal-State-local partnership through the termination or significant reduction of many Federal assistance programs.

The Committee recommendation also recognizes that because of the overwhelming need to reduce the Federal deficit, there has to be significant spending restraint in domestic programs, as well as in defense. At the same time, the Committee recommendation attempts to preserve essential national program priorities by providing full inflation funding for several low-income programs and by providing increases for other priority areas, including education and health programs.

MAJOR STATE AND LOCAL ASSISTANCE PROGRAMS

The Committee recommends that Federal grants to State and local governments increase from $109.8 billion in 1987 to $130.0 billion in 1991. On average, the Committee's recommendations would increase outlays to States and localities by 4.6 percent annually compared to the President's proposed rate of increase of less than 1 percent per year. In addition, grant-in-aid payments are projected to out-pace the growth of total spending in the Committee's plan which is expected to increase at roughly 2.9 percent[1] through the 1988 to 1991 period.

The Committee recommendation assumes a $3.2 billion increase in Medicaid funding for 1988. In addition, the Committee recommends an increase in Medicaid spending above the CBO baseline to expand coverage for maternal and child care and to extend coverage to the elderly and poor.

The Committee budget provides full funding for the Aid to Families with Dependent Children Program and incorporates the President's proposal to require States to set mandatory guidelines for child support awards. The recommendation assumes full funding for the child nutrition programs and increases for the Women, Infants, and Children Supplemental Feeding Program by $150 million over current services levels for 1988. Full funding for unemployment benefits and a freeze for the Low Income Energy Assistance Program are also proposed.

The Committee recommendation assumes $1.5 billion in enhanced funding for several education and job training activities including increases in compensatory education (chapter 1), the Job Corp's remedial education program, worker dislocation and welfare reform legislation and a new child care initiative. The Committee also proposes an increase in developmental disability grants and baseline funding for education of the handicapped.

For major infrastructure spending, the Committee provides almost $2 billion more in budget authority for highway programs and almost $1.6 billion more for mass transit funding than recommended by the President. Funding for subsidized housing is sufficient to pay for roughly 98,000 units and operating subsidies are funded at $1.52 billion. Consistent with the recently enacted Clean

---

[1] Outlays net of asset sales and other temporary savings.

Water Act, the Committee assumes baseline funding for the EPA Construction Grant Program.

FEDERAL GRANT-IN-AID ASSISTANCE TO STATE AND LOCAL GOVERNMENTS IN COMMITTEE RECOMMENDATION AND PRESIDENT'S REQUEST

[In billions of dollars]

Function		1988	1989	1990	1991
050 NATIONAL DEFENSE					
President's request	BA	0.2	0.2	0.2	0.2
	O	0.2	0.2	0.2	0.2
Committee recommendation	BA	0.2	0.2	0.2	0.2
	O	0.2	0.2	0.2	0.2
270 ENERGY					
President's request	BA	+(*)	+(*)	+(*)	+(*)
	O	0.4	0.3	0.3	0.3
Committee recommendation	BA	0.1	0.1	0.1	0.1
	O	0.4	0.4	0.4	0.5
300 NATURAL RESOURCES AND ENVIRONMENT					
President's request	BA	3.2	3.1	2.7	2.3
	O	3.3	3.2	3.1	3.1
Committee recommendation	BA	3.8	3.9	3.8	3.8
	O	3.5	3.5	3.7	3.8
350 AGRICULTURE					
President's request	BA	1.8	1.5	1.1	1.0
	O	1.8	1.5	1.1	1.0
Committee recommendation	BA	2.0	1.7	1.3	1.2
	O	2.0	1.7	1.3	1.2
370 COMMERCE AND HOUSING CREDIT					
President's request	BA	+(*)	....	....	....
	O	+(*)	+(*)	+(*)	....
Committee recommendation	BA	+(*)	+(*)	+(*)	+(*)
	O	+(*)	+(*)	+(*)	+(*)
400 TRANSPORTATION					
President's request	BA	16.0	16.0	16.0	17.0
	O	18.2	17.7	17.1	16.9
Committee recommendation	BA	20.3	20.5	21.2	21.8
	O	18.7	18.6	18.3	18.1

FEDERAL GRANT-IN-AID ASSISTANCE TO STATE AND LOCAL GOVERNMENTS IN COMMITTEE RECOMMENDATION AND PRESIDENT'S REQUEST—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
450 COMMUNITY AND REGIONAL DEVELOPMENT					
President's request	BA	2.6	2.8	2.8	2.8
	O	3.9	3.3	3.0	2.9
Committee recommendation	BA	3.4	3.4	3.5	3.5
	O	4.3	3.9	3.4	3.3
500 EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES					
President's request	BA	20.0	19.9	19.6	19.7
	O	19.1	19.7	19.7	19.9
Committee recommendation	BA	22.6	23.0	23.9	24.9
	O	20.4	22.2	23.4	24.4
550 HEALTH					
President's request	BA	30.1	31.4	33.2	35.0
	O	30.2	31.4	33.2	35.0
Committee recommendation	BA	31.9	34.9	38.0	41.3
	O	31.7	34.9	37.9	41.3
600 INCOME SECURITY					
President's request	BA	28.1	28.4	29.0	37.6
	O	29.8	30.3	30.9	32.0
Committee recommendation	BA	34.0	34.0	34.1	58.9
	O	32.2	33.1	33.8	35.0
700 VETERANS BENEFITS AND SERVICES					
President's request	BA	+(*)	+(*)	+(*)	+(*)
	O	+(*)	+(*)	+(*)	+(*)
Committee recommendation	BA	+(*)	+(*)	+(*)	+(*)
	O	+(*)	+(*)	+(*)	+(*)
750 ADMINISTRATION OF JUSTICE					
President's request	BA	0.2	0.2	0.2	0.2
	O	0.2	0.2	0.1	0.1
Committee recommendation	BA	0.4	0.4	0.3	0.3
	O	0.3	0.4	0.3	0.3

FEDERAL GRANT-IN-AID ASSISTANCE TO STATE AND LOCAL GOVERNMENTS IN COMMITTEE RECOMMENDATION AND PRESIDENT'S REQUEST—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
800 GENERAL GOVERNMENT					
President's request	BA	0.1	0.1	0.1	0.1
	O	0.1	0.1	0.1	0.1
Committee recommendation	BA	0.1	0.1	0.1	0.1
	O	0.1	0.1	0.1	0.1
850 GENERAL PURPOSE FISCAL ASSISTANCE					
President's request	BA	1.5	1.6	1.6	1.6
	O	1.6	1.6	1.6	1.6
Committee recommendation	BA	1.6	1.6	1.6	1.7
	O	1.6	1.6	1.6	1.7
Totals:					
President's request	BA	103.8	105.2	106.5	117.6
	O	108.7	109.4	110.5	113.1
Committee recommendation	BA	120.4	123.8	128.2	158.0
	O	115.4	120.7	124.6	130.0

(*) Less than $50 million.

Chapter VIII. VIEWS AND ESTIMATES OF SENATE COMMITTEES

Section 301(d) of the Congressional Budget Act calls on the committees of the Senate and House to report to their respective Budget Committees by February 25 of each year their views and estimates of budget requirements for matters within their jurisdictions to assist the Budget Committees in preparing the budget resolution.

Following is the letter sent by the Budget Committee to the other committees of the Senate requesting their views, together with the responses received.

United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

February 25, 1987

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter constitutes the report of the Committee on Agriculture, Nutrition, and Forestry on the budget for fiscal year 1988 as required by section 301(d) of the Congressional Budget Act of 1974.

The Committee's views and recommendations on the budget for fiscal year 1988 are cognizant of the continuing need for budgetary restraint, a need that was reiterated by passage of the Balanced Budget and Emergency Deficit Control Act of 1985. At the same time, these views and recommendations are also predicated upon the urgent need to continue assistance to producers of the Nation's food supply, to assure that needy households receive adequate food assistance through the domestic food assistance programs, and to strengthen and protect our rural human and natural resources.

The President's proposed budget for fiscal year 1988 recommends a number of significant changes in programs within the Committee's jurisdiction that would achieve reductions in both budget authority and outlays. More specifically, the President's budget calls for spending reductions or program phaseouts in the areas of rural development, farm credit, export programs, agricultural research and extension, soil conservation, domestic nutrition assistance, and marketing and inspection. Many of these proposals are similar to prior-year Administration recommendations that were not adopted by Congress.

Farm commodity price and income supports under the Commodity Credit Corporation (CCC), now the most costly of the programs within the Committee's purview, also would undergo major changes aimed at achieving budget outlay savings under the President's plan. However, these changes would not begin to reduce Federal outlays until fiscal 1989.

1. Domestic Food Assistance Programs

The President's budget calls for more than $1 billion in new reductions in the food stamp and child nutrition programs in fiscal 1988. For food stamps, funding would increase from $11.8 billion in fiscal 1987 to $12.4 billion in fiscal 1988 if no changes in eligibility and other program requirements were enacted, according to the Congressional Budget Office (CBO). However, the Administration anticipates that only $11.9 billion will be needed next year due to:

(a) the collection, using current law, of some $170 million from states in overissued benefits--which the Committee believes is unrealistic in light of the fact that USDA has been able to collect less than $1 million so far under current authority;

(b) proposed changes in the current food stamp statute that would achieve the remainder of the savings. These changes include making states liable for an additional quantity of overissued benefits and tightening some income eligibility rules.

The Administration also has resurrected a number of proposals it has made in the past to reduce spending in child nutrition programs. The major proposal would terminate all Federal support for school and child care food program meals served to children from families with incomes above 185% of the official poverty line. Fiscal 1988 savings are estimated by the Administration at about $750 million. Other proposals, including a cap on severe need subsidies in the school breakfast program, elimination of Federal funds for Nutrition Education and Training (NET), and revisions in summer feeding program reimbursement rates would bring total child nutrition cuts to about $825 million next year under the Administration's budget.

The Committee points out that adequate child nutrition spending generally has enjoyed wide and bipartisan support in the Congress. Both the Senate and House in past years have not approved similar Administration proposals for cutbacks in these programs.

In the special supplemental food program for women, infants and children (WIC), the Administration has proposed $1.688 billion for fiscal 1988. However, the Committee concurs with CBO's estimate that about $1.71 billion will be needed in fiscal 1988 to maintain the current caseload. The Administration also has proposed a 20 percent reduction below current services estimates for the commodity supplemental food program, a smaller program that is similar in intent to WIC. The Committee also points out that the trend in recent years in Congress has been to expand, not reduce, participation in supplemental feeding, which a series of studies have demonstrated have been effective in combatting health problems in the target population.

Finally, the Committee observes that Congress already has overturned an attempt by the Administration to defer $29 million in fiscal 1987 administrative funding for the Temporary Emergency Food Assistance Program (TEFAP). In fact, the panel soon will be asked, in light of numerous lawmakers' concerns about continuing problems of hunger and homelessness, to consider whether to add an additional $20 million to TEFAP administration in fiscal 1987 and to provide a total of up to $70 million for this account in fiscal 1988.

2. Commodity Credit Corporation

The Administration budget anticipates that CCC price support and related outlays will decline from an estimated $25.3 billion in fiscal 1987 to $21.3 billion in fiscal 1988. These differ from CBO's estimates of $24.6 billion and $25.2 billion, respectively. The Administration's fiscal 1988 estimate is lower primarily because it assumes that no advance deficiency payments will be provided to producers who signed up for 1988 crop programs. The Committee believes that the CBO estimate is more appropriate given the fact that such advances have been made in past years.

The Administration also will propose legislation making significant changes in price support programs--including a 10% annual reduction in crop target prices. However, these changes generally would not take effect until the 1988 programs and thus not begin to reduce outlays until fiscal 1989.

Many Members of the Agriculture Committee have expressed deep concern about the impact of the Administration's price support proposals, and particularly the 10% annual target price reduction, which they have contended would cut producer income significantly at a time when so much of the farm and rural economies remain financially stressed. This concern was reinforced during our recent series of field hearings in midwestern and upper plains states, where witnesses expressed virtually unanimous opposition to the target price reductions.

While these deep program reductions therefore are not likely to be adopted by this Committee, many of our Members do agree on the need to review carefully the impact of price support programs as presently designed--and to at least consider any reasonable alternatives. Nevertheless, even if substantive changes were made this year, they are unlikely to affect fiscal 1988 spending.

The Committee is cognizant of the importance placed on out-year estimates by the Committee on the Budget. However, to consider budget estimates for the CCC through fiscal 1992 would be highly speculative, requiring assumptions well into the future about world weather patterns, world crop production, macroeconomic and trade trends, and potential farm policy changes (the Administration, for example, as of late February had not yet provided the Committee with a draft of its proposed price support legislation). Therefore, the Committee does not believe that accurate out-year projections are presently within the scope of resources available to staff.

3. Farm Credit

The President's budget foresees a decrease in total farm lending of the Farmers Home Administration, from about $4.6 billion in fiscal 1987 to about $4 billion in fiscal 1988. The most significant change is the President's plan to submit legislation to terminate all farm ownership (real estate) lending, funded at $425 million for the current fiscal year.

Short-term operating loans would be available in fiscal 1988 at a total program level of $3.6 billion. The Admnistration budget continues the shift in this program's emphasis from direct to guaranteed lending. The President's budget would fund the interest rate buydown program at $185 million next year, bringing total available funding to the full $485 million authorized by Congress for this three-year effort.

The Agriculture Committee expresses its concern about a number of farm credit problems that could have an impact on the Federal budget in this and future fiscal years. The most pressing concern is whether farmers will have access to adequate credit--whether from private lenders or FmHA--for this spring's plantings. Another is the longer-term financial problems (including difficulties in meeting debt obligations) of about a third of all family-sized operators. The Committee is closely monitoring these problems and intends to consider legislation to insure that farmers have an adequate supply of credit at reasonable cost this and next year.

Just as important, it is likely that the ailing Farm Credit System will request an infusion of Federal funds. The System, the source of about a third of all farm lending, this month reported that its 1986 losses totalled $1.9 billion. A multi-billion dollar appropriation could be needed sometime in 1987 to keep the System operating, bolster investor confidence, and assure the availability of credit to farmers.

4. Rural Development Programs

As it has in past years, the Administration is again recommending major reductions in rural development and related programs within the Committee's jurisdiction. Its budget would terminate all FmHA rural development loan and grant programs, including rural water-sewer loans and grants (saving $500 million in fiscal 1988), fire protection grants ($3.5 million), and community facility loans ($180 million). For the Rural Electrification Administration (REA), the budget calls for an end to all REA direct electric and telephone loans by 1990, an increase in direct loan interest rates until then, and a shift from REA guarantees of Federal Financing Bank loans to guarantees of private loans, among other things.

In addition, the budget proposes to sell off $1.2 billion in Rural Development Insurance Fund loan assets and $1.5 billion in REA loan assets.

Agricultural and other rural-based industries have not shared in the general improvement of the U.S. economy as a whole in recent years, reversing rural areas' modest social and economic gains of the 1970s. The Committee is concerned that any further cutbacks in rural programs, for which Federal support already has been eroded significantly in recent years, could intensify rural problems. Rather, the Committee will seek to rebuild an effective Federal rural strategy to improve rural income opportunities and basic services not only for farmers--many of whom must rely heavily on off-farm income sources themselves--but also for the more than 9 out of 10 rural Americans who do not live on farms.

5. Soil and Water Conservation

The President's budget calls for major reductions in the traditional conservation programs operated by USDA's Soil Conservation Service (SCS) and Agricultural Stabilization and Conservation Service (ASCS). All SCS and ASCS activities would be eliminated except those related to implenting the requirements of the Food Security Act of 1985 (including the conservation reserve), SCS soil and snow surveys, and plant materials centers. While SCS field office work--funded through the conservation technical assistance account--would continue, efforts for the next several years would concentrate almost solely on work related to the 1985 law, placing on hold all other more traditional county-level assistance.

The Committee notes that the Administration has proposed similar reductions in conservation spending in the past. Congress, however, has not accepted these reductions. Rather, it has directed the Department to implement the 1985 requirements without reducing its work in other soil and water conservation activities established by law.

6. Trade and Foreign Food Aid

The Administration budget proposes to reduce the availability of export credit guarantees (GSM-102) from $5 billion in fiscal 1987 to $3 billion in fiscal 1988, to cut Targeted Export Assistance from $110 million in fiscal 1987 to $80 million in fiscal 1988, to reduce P.L. 480 funding by about $75 million, and to make export credit loans more expensive to users by allowing the 1% loan origination fee to rise to 5%.

The Committee is well aware that farm exports still are depressed despite the significantly lower prices brought about by the Food Security Act of 1985 and the numerous export initiatives that are also a part of that law. These continuing concerns have added to support for new legislation this year that would further strengthen Government-sponsored efforts to sell more farm commodities overseas. There has been interest, for example, in investigating the need to give the Foreign Agricultural Service a more active role in this area. In light of these continuing developments, the President's proposals for scaling back trade and aid programs are inappropriate.

7. Marketing and Inspection Programs

As in past years, the President's budget again recommends widespread implementation of user fees to replace Federal funding for many USDA marketing and inspection programs. All Food Safety and Inspection Service meat and poultry inspection, and all Federal Grain Inspection Service and Agricultural Cooperative Service activities would be covered by fees paid by users, beginning in fiscal 1988. Many Agricultural Marketing Service and Animal and Plant Health Inspection Service programs also would be shifted to a user-fee basis.

The Committee wants to assure that any funding reductions or legislative changes in these programs will not adversely affect their operation, cause disruptions in the industry, or endanger consumers' food supply. It notes that similar proposals by the Administration have not been adopted in past years.

8. Research and Extension

The President's fiscal 1988 budget generally maintains funding for Agricultural Research Service (ARS) in-house agricultural and related research at or slightly above fiscal 1987 levels. However, Federal support for other research and extension actitivities would decline substantially. Cooperative State Research Service (CSRS) and Extension Service (ES) formula grants would be increased slightly--unlike last year, when formula funding would have declined under the proposed budget. However, almost all of these agencies' earmarked programs would be ended in fiscal 1988.

The Committee notes that Federally-sponsored agricultural research and extension were primary reasons that the American farmer became the most efficient and productive in the world. The Committee will strongly oppose any attempts to weaken this Federal commitment and, further, is interested in exploring new research initiatives to strengthen and enhance U.S. agriculture's competitive position in domestic and world markets.

In conclusion, the Agriculture Committee recognizes the difficult task the Congress faces in the coming months to achieve a realistic and acceptable plan for reducing the deficit in fiscal 1988 and beyond. We are anxious to work closely with you and your Committee as you begin the important first step of drafting a budget resolution.

Sincerely,

RICHARD LUGAR
Ranking Minority Member

PATRICK LEAHY
Chairman

JOHN C STENNIS MISSISSIPPI CHAIRMAN

ROBERT C BYRD WEST VIRGINIA
WILLIAM PROXMIRE WISCONSIN
DANIEL K INOUYE HAWAII
ERNEST F HOLLINGS SOUTH CAROLINA
LAWTON CHILES FLORIDA
J BENNETT JOHNSTON LOUISIANA
QUENTIN N BURDICK NORTH DAKOTA
PATRICK J LEAHY VERMONT
JIM SASSER TENNESSEE
DENNIS DeCONCINI ARIZONA
DALE BUMPERS ARKANSAS
FRANK R LAUTENBERG NEW JERSEY
TOM HARKIN IOWA
BARBARA A MIKULSKI MARYLAND
HARRY REID NEVADA

MARK O HATFIELD OREGON
TED STEVENS ALASKA
LOWELL P WEICKER JR CONNECTICUT
JAMES A McCLURE IDAHO
JAKE GARN UTAH
THAD COCHRAN MISSISSIPPI
ROBERT W KASTEN JR WISCONSIN
ALFONSE M D'AMATO NEW YORK
WARREN RUDMAN NEW HAMPSHIRE
ARLEN SPECTER PENNSYLVANIA
PETE V DOMENICI NEW MEXICO
CHARLES E GRASSLEY IOWA
DON NICKLES OKLAHOMA

FRANCIS J SULLIVAN STAFF DIRECTOR
J KEITH KENNEDY MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-6025

February 25, 1987

The Honorable Lawton Chiles, Chairman,
and the Honorable Pete Domenici,
  Ranking Minority Member
Senate Budget Committee
Washington, D.C. 20510

Dear Chairman Chiles and Senator Domenici:

On behalf of the Committee on Appropriations, we submit herewith the views of the Committee on the first concurrent resolution on the budget, in compliance with section 301(d) of the Congressional Budget Act of 1974, as amended.

While the Committee has made every effort to provide you with substantive recommendations, we must stress that the views and estimates explained in our report are to provide preliminary guidance only. As you well know, the President's budget request, in many cases, is predicated on actions beyond the control of the appropriations process, including changes in substantive law and administrative actions. Further, our recommendations do not address the host of unforeseen contingencies and requirements that may arise during the forthcoming fiscal year.

We hope this report will be of use in your deliberations on the budget resolution for fiscal year 1988.

Best regards.

Sincerely,

Mark O. Hatfield, Ranking
  Minority Member

John C. Stennis, Chairman

[COMMITTEE PRINT]

VIEWS
OF THE
Committee on Appropriations
United States Senate
ON THE
FIRST
CONCURRENT RESOLUTION
ON THE BUDGET

FISCAL YEAR 1988

FEBRUARY 25, 1987

CONTENTS

	Page
Introduction	3
Table	5
Agriculture, Rural Development, and Related Agencies	6
Commerce, Justice, State, the Judiciary, and Related Agencies	8
Defense	9
District of Columbia	11
Energy and Water Development	11
Foreign Operations	13
Housing and Urban Development-Independent Agencies	17
Interior and Related Agencies	19
Labor-HHS-Education and Related Agencies	24
Legislative Branch	27
Military Construction	28
Transportation	28
Treasury, Postal Service, and General Government	33

INTRODUCTION

This report sets forth the views of the Committee on Appropriations on the fiscal year 1988 budget, and is submitted to the Senate Budget Committee in accordance with section 301(d) of the Congressional Budget Act of 1974, as amended.

The President's fiscal year 1988 budget totals $1,142,179,730,000 in budget authority and $1,024,327,679,000 in outlays. Of these amounts, total budget authority within this Committee's jurisdiction is $611,200,000,000 in budget authority and $595,627,000,000 in outlays, based on the President's budget estimate. Congressional Budget Office [CBO] estimates outlays to be $5,239,000,000 higher for the President's plan. The Committee notes that of the amount of the President's proposal in the Committee's jurisdiction $473,213,000,000 is for programs considered discretionary. This includes defense, foreign aid, and nondefense domestic programs.

Fiscal year 1988 spending estimates contained in this report are at best preliminary, and reflect the views of the individual subcommittees. The President's budget appendix was transmitted to the Congress only on January 28 and the subcommittees have just begun hearings to evaluate administration proposals within their jurisdictions. In addition, the President has transmitted to the Congress 73 rescission proposals currently totaling $5,835,751,000 in budget authority and a total of $9,986,810,000 in deferrals. A detailed account-level analysis must occur before this Committee can reach final recommendations on fiscal year 1987 funding, much less 1988 funding levels.

For these reasons, the Committee presents "low-range" and "high-range" estimates of spending required in fiscal year 1988 for the 13 annual appropriations bills within the Committee's jurisdiction, plus the needs for deficiencies and supplementals. The Committee emphasizes that these estimates are given only to provide preliminary guidance to the Budget Committee in its work on a fiscal year 1988 budget resolution, which is required to be adopted by Congress not later than April 15.

The Committee notes that the President's budget request, in many cases, is predicated on actions outside the control of the appropriations process, including changes in substantive law and administrative actions.

Although the Committee has estimated a range of both budget authority and outlays that may be required in the table that follows, this, of course, does not include unforeseen contingencies and requirements that may arise during the forthcoming fiscal year. Last year, for example, 18 separate budget requests were submitted after the February 5 submission of the fiscal year 1987 budget, the last three of which were received in September.

Confronted with the need to substantially reduce the Federal deficit, the Committee reiterates its continued commitment to achieving the greatest level of budget savings possible. The Committee notes that CBO has estimated in its baseline report that unless there are major changes in tax laws and mandatory spending, reductions from the 1987 enacted levels in discretionary programs of 14 percent in defense and 20 percent in nondefense budget authority would be required in order to reach the fiscal year 1988 maximum deficit target of $108,000,000,000 contemplated under Public Law 99-177 (Gramm-Rudman-Hollings).

This Committee does not believe that reductions of this magnitude can be sustained by the Nation or would be approved by the Congress.

The following table shows the Committee's range by subcommittee:

FISCAL YEAR 1988

[In billions of dollars]

Subcommittee	CBO baseline[1]		President's request		Low estimate		High estimate	
	Budget authority	Outlays	Budget authority	Outlays[2]	Budget authority	Outlays	Budget authority	Outlays
Agriculture[3]	32.9	26.5	55.3	27.1	56.4	28.2	57.2	28.5
Commerce—Justice—State—Judiciary	14.2	14.3	14.7	15.1	15.8	15.6	16.0	15.9
Defense	286.4	274.9	294,1	282.4	294.1	282.4	294.1	282.4
District of Columbia	0.6	0.6	0.5	0.5	0.5	0.5	0.6	0.6
Energy and Water Development	16.8	16.4	17.7	17.6	17.7	17.6	17.7	17.6
Foreign Assistance	14.0	12.3	15.9	12.0	15.9	12.0	15.9	13.0
HUD–Independent Agencies	58.4	60.0	52.0	59.4	52.3	59.7	60.0	60.9
Interior	9.4	9.8	7.6	8.6	9.6	10.1	9.6	10.1
Labor, Health and Human Services, and Education[4]	125.4	131.3	117.5	126.8	124.5	131.5	129.9	134.2
Legislative	1.9	1.8	2.0	2.0	2.0	2.0	2.0	2.0
Military Construction	8.5	7.9	10.1	8.2	9.4	8.0	10.1	8.2
Transportation	11.0	27.4	8.5	26.3	10.9	27.8	13.2	28.9
Treasury, Postal Service, General Government	14.9	14.8	14.6	14.8	14.9	14.8	15.5	15.6
Deficiencies and supplementals	0.8	0.9	0.7	0.7	0.8	0.9	0.8	0.9
Grand total, appropriations	595.1	598.8	611.2	601.4	624.8	611.1	642.5	618.7

NOTE: Detail may not add to totals due to rounding.

[1] Consistent with published baseline report (January 21, 1987).

[2] CBO estimates of outlays from new budget authority and prior-year enactments.

[3] CBO baseline excludes Commodity Credit Corporation as part of Committee's jurisdiction. CBO estimate of fiscal year 1988 reimbursement is $21,134,000,000 in budget authority.

[4] See additional views at end of Labor-HHS section.

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES

VIEWS AND ESTIMATES

The fiscal year 1988 budget estimates for this subcommittee total $55,286,857,000 in new budget authority. This level compares with an enacted level for fiscal year 1987 of $49,602,219,000.

The fiscal year 1987 level does not include a requested supplemental appropriation of $6,653,189,000 for the Commodity Credit Corporation.

CBO BASELINE

The Committee feels that several adjustments need to be made to the original CBO baseline in order to reflect properly the traditional and required spending by the subcommittee.

The Committee notes the absence of several budget authority estimates for fiscal year 1988, including $21,134,000,000 for the Commodity Credit Corporation, $378,000,000 for the President's proposed Rural Housing Voucher Program, $1,388,000,000 for the Conservation Reserve Program, and $4,000,000 for the Colorado River Basin Salinity Control Program.

The Committee estimates that an additional $962,000,000 will be required over and above the CBO baseline, in order to fully fund the Farmers Home Administration reimbursements to the agricultural credit insurance fund, the rural housing insurance fund, and the rural development insurance fund. These accounts are reimbursed based on actual losses.

Finally, the Committee notes shortfalls in the baseline in such accounts as departmental administration for hazardous waste management required by the Superfund bill, the Food Safety and Inspection Service, the Federal Crop Insurance Corporation, the Rural Electrification Administration reimbursements, child nutrition, special milk, Public Law 480, and section 32 permanent appropriations. Many of these accounts reflect mandatory programs which must be fully funded.

These adjustments to CBO's published baseline of $32,891,000,000 in budget authority, produce a baseline of $57,165,000,000. A corresponding adjustment in the CBO published outlay baseline for fiscal year 1988 of $26,488,000,00 yields an outlay level of $28,526,000,000.

FISCAL YEAR 1988 SPENDING ESTIMATES

The administration's budget request includes a number of programmatic reductions in the fiscal year 1987 level, many of which are not new, and have been rejected by the Congress in the past.

These major reductions include $171,000,000 in research, extension, and inspection programs, $372,000,000 in rural development programs administered by the Farmers Home Administration and the Rural Electrification Administration, $396,000,000 for conservation programs, $57,000,000 for nutrition programs, $118,000,000 for Public Law 480, and $30,000,000 for section 32 permanent funds.

If these reductions are not enacted, the corresponding increase in the administration's budget would be $1,144,000,000.

As noted earlier, for fiscal year 1988, the CBO preliminary baseline as adjusted by the Committee, totals $57,165,000,000 in budget authority and $28,526,000,000 in budget outlays for the Subcommittee on Agriculture, Rural Development, and Related Agencies. The administration's request with the restoration of programs proposed for reduction or elimination totals approximately $56,431,000,000 in budget authority and $28,176,000,000 in outlays.

The Committee is quick to point out that neither the administration nor the Congressional Budget Office includes any amount for the Farm Credit System. Recent indications suggest that a Federal appropriation may be required, and the Committee believes the budget should reflect this possibility. The CBO notes an estimate of $15,000,000,000.

In addition, the Committee notes that the administration requests an increase in borrowing authority for the Commodity Credit Corporation from $25,000,000,000 to $40,000,000,000. Should this proposal be enacted, the subcommittee will require an additional $15,000,000,000 in budget authority.

Given these two additions, the subcommittee needs would approach $90,000,000,000 in budget authority.

The Committee notes that these estimates do not include any savings from proposed legislative changes since such changes lie outside of the subcommittee's jurisdiction.

FISCAL YEAR 1988 CREDIT ESTIMATES

CBO BASELINE

The CBO baseline suggests that the emergency loan fund under the Agricultural Credit Insurance Fund will only require $100,000,000 in fiscal year 1988. The 1987 level is $295,000,000, and $400,000,000 was transferred out of the fund for the disaster assistance program. Furthermore, the administration's request is for $600,000,000.

Again, the administration is proposing major reductions in loan accounts which have been rejected in the past. These include $1,878,000,000 in Rural Electrification Administration loans, $650,000,000 in direct farm loans, and $3,330,000,000 in rural housing and development loans.

COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

SUMMARY OF FISCAL 1988 ESTIMATES

[In billions of dollars]

	Budget authority	Outlays
CBO baseline (as revised)	14.6	14.5
President's estimates[1]	14.7	15.1
Low appropriation estimate	15.8	15.6
High appropriation estimate	16.0	15.9

[1] Includes estimates of Legal Services Corporation and State Justice Institute not recommended by President but transmitted directly to Congress pursuant to law.

The low appropriation estimate of the subcommittee includes the budget as proposed by the President, with the addition of the requests of the Legal Services Corporation and the State Justice Institute, restoration of the 1987 levels for programs proposed for elimination in the President's budget that the Congress has consistently restored over the last 6 years, adjustments for the 1988 outlays from the proposed 1987 supplementals not in the administration's estimates, and the addition of $50,000,000 for the competitiveness initiative.

The high estimate includes funds to enhance economic development activities and immigration inspections, as well as to provide room for possible repeal of the Kassebaum amendment which limits assessed contributions to the United Nations. The administration supports repeal but has not requested the funds consistent with this position.

President's budget.—Without the benefit of hearings or detailed review, the subcommittee is not able to make a judgment on the increases proposed by the President. However, they are relatively few in number and include items of an almost mandatory nature. Examples include the $170,000,000 increase to prepare for the 1990 decennial census; the building of two new prisons to cope with the expanding prison population; high priority expansion of the law enforcement agencies of the Department of Justice; and further funding for the Department of State's security program.

Restoration of 1987 programs eliminated in the President's budget.—Since 1981 the administration has sought to eliminate or reduce the funding of the economic development assistance programs; trade adjustment assistance; travel and tourism promotion; sea grant, coastal zone management and other National Oceanic and Atmospheric Administration coastal and fishery programs; the National Bureau of Standards centers for building technology and fire research; the public broadcasting facilities grants; Department of Justice assistance to State and local law enforcement agencies; and loans and assistance to small businesses. The Congress has consistently rejected these proposals and the subcommittee expects little change from this posture in fiscal year 1988.

1988 outlays from 1987 supplementals.—The President has proposed a number of supplemental appropriations for the accounts assigned to this subcommittee. They range from almost mandatory requests to cover the exchange rate losses of the Board for International Broadcasting, Department of State, and the United States Information Agency; the replacement of the earthquake devastated United States embassy in San Salvador; funding for the 52 new bankruptcy judges and the United States trustees authorized last session; implementation of the Immigration Reform Act; and $1,448,000,000 requested by the Maritime Administraton to repay the Treasury for borrowing to pay off loan defaults of the Federal ship financing fund. As with the 1988 estimates, the subcommittee has not subjected these requests to detailed review, but at this moment they appear reasonable. The Congressional Budget Office now estimates that $62,000,000 of the Immigration and Naturalization Service supplemental for immigration reform will not outlay until 1988 instead of 1987 as predicted by the administration—and this difference has been built into the subcommittee's outlay estimates for 1988.

1988 program addition.—The subcommittee is aware that the President's competitiveness initiative, as well as several similar congressional packages, involve the National Bureau of Standards and other Department of Commerce elements. The subcommittee recommends provision of $50,000,000 in budget authority and $25,000,000 in outlays in anticipation of such a program.

USER FEES

The President has recommended many new user fees for activities financed by this subcommittee. Last year the Congress rejected a Federal marine fishing license fee to support marine programs. This year that is again proposed, as well as an international airline ticket charge of $1 per ticket to support the tourism programs. Until the disposition of these proposals is resolved, support must be maintained for the programs they are to undergird.

In addition, the administration is directing one-half of the new $5 immigration inspection fee to reducing the deficit. No authority exists in the law for transfer of these fee collections to the general fund absent action in an appropriations bill. The purpose of this fee was to improve the inspection of persons arriving in the United States. The fee should only be used for facilitation of international arrivals. In addition, this account should be crosswalked to the Appropriations Committee given its origin and the nature of the program it supports.

DEFENSE

The President's request includes 3 percent real growth over fiscal year 1987 funding levels. This is the smallest increase requested by this administration and $7,600,000,000 less than the amount requested last year. It is against a background of near level defense spending for the past 3 years and a decline of 3.8 percent in constant dollars between the 1985 actual and the 1988 request.

[In billions of dollars]

	Actual fiscal year 1985	Actual fiscal year 1986	Actual fiscal year 1987	President's request fiscal year 1988
Defense Subcommittee (adjusted)..........	278.5	270.3	274.3	294.1
Constant dollars (fiscal year 1988)........	307.0	294.3	288.8	294.1

The Budget Committee has traditionally used the CBO baseline as a starting point for its analysis of defense outlays. The Appropriations Committee believes there continues to be pitfalls in this approach and recommends it be adjusted. The CBO baseline creates a mismatch between budget authority and outlays which understates outlay requirements by about $3,000,000,000. The CBO baseline makes the unlikely assumption that Congress will fund the same relative mix of programs as was funded in 1987, instead of adjusting the mix to reflect the program planned for fiscal year 1988. For example, CBO projects a budget which assumes $4,700,000,000 more for procurement and $9,600,000,000 less for research and readiness funds than recommended by the President. Because of the higher outlay rate estimates for fiscal year 1988, use of the CBO baseline unadjusted could lead to a serious mismatch between budget authority and outlays.

The request for programs covered by the defense appropriations bill for fiscal year 1988 budget authority totals $291,400,000,000. Another $2,700,000,000 contingency for pay raises is included in the budget to be submitted as a supplemental appropriation request at a later date. New outlays of $171,100,000,000 are estimated with total outlays projected to be $280,100,000,000. With the pay raise, total outlays for fiscal year 1988 are $282,400,000,000.

The Committee recommends funding the President's request for defense spending at this time. Adjustments in the various accounts may be necessary as the facts develop. In real terms, the Congress has provided decreasing funds for defense during the past 2 fiscal years. For example, procurement funding has decreased from $97,000,000,000 in fiscal year 1985 to a requested $84,000,000,000 in fiscal year 1988. Therefore, an increase in fiscal year 1988 funds for national defense may be needed to sustain force structure, readiness, and modernization rates that most would agree are required.

The amount requested is more reasonable than prior years, and in line with previous congressional budget resolution targets. If the defense budget request cannot be accommodated within the budget resolution ceiling, specific program reductions will be required. Mandated reductions in the past have been attained, largely, by pricing adjustments due to declining costs for fuel, contract bids favorable to the Government, and stable economic conditions which have dampened inflationary impact. Current economic forecasts for fuel pricing, foreign currency exchange rates, and overall inflation trends indicate a reversal of these favorable economic conditions. Even the budget levels requested may be undervalued if the economic projections continue to worsen. Therefore, the Committee believes the 3-percent growth requested is a prudent level for defense.

DISTRICT OF COLUMBIA

The President's budget request for fiscal year 1988 totals $507,070,000. This amount together with $20,000,000 provided in Public Law 99-591 for the construction of a prison facility brings the amount required to a total of $527,070,000. The Committee believes that this amount will be adequate for the purposes for which it is requested.

The budget as submitted January 6, 1987, does not include funds for a lump sum payment for water and sewer services to the Federal Government. In past years this item was provided as part of the District's annual appropriation of Federal funds. This year the Federal Government is assuming that the District can bill each individual agency separately, however, no funds have been included in the Federal agency budgets for this item. The District government estimates that the cost of these services will be approximately $40,000,000 in fiscal year 1988. If this amount were included, $567,070,000 would be the bill total.

ENERGY AND WATER DEVELOPMENT

FISCAL YEAR 1987 SPENDING ESTIMATES

Corps of Engineers.—Funding for water resource development activities of the U.S. Army Corps of Engineers is $3,262,000,000, an increase of 4.4 percent over the enacted appropriation for fiscal 1987. The increase is mainly in the construction, operation and maintenance, and emergency accounts.

The passage of Public Law 99-662, the Water Resources Development Act of 1986 will place additional pressure to increase spending. In addition, the budget request for 1988 assumes that nearly $150,000,000 will be available from the newly created harbor maintenance trust fund established by Public Law 99-662 and for which collection will not begin until April 1987.

Bureau of Reclamation.—The fiscal year 1988 budget request for the Bureau of Reclamation totals $949,113,000, which is $81,466,000 more than the enacted appropriation for 1987. While the budget as presented reflects an overall increase in budget authority, significant policy changes will restructure some accounts, and funding reductions in many ongoing projects and programs are proposed by the administration.

Department of Energy.—The fiscal year 1988 budget request for the Department of Energy proposes a substantial increase over the 1987 levels from $10,404,917,000 to $12,950,000,000. Most of the increase is due to the addition of $573,000,000, or a 7.7-percent increase, proposed for Atomic Energy Defense Activities and the treatment of receipts by the Department of Energy. Within the energy defense area, there are substantial increases for research, development and testing of nuclear warhead concepts including the nuclear portion of the Strategic Defense Initiative, as well as large increases in nuclear safeguards and security, and defense waste management activities.

For nondefense energy activities, the total budget request of $4,450,000,000 is approximately the same as the fiscal year 1987 appropriation of $2,972,167,000 when revenues from DOE activities are handled in the same way. There are substantial differences from last year, however, within this total amount. Again, increases are proposed for General Science Research (+$106,000,000) and Biological and Environmental Research (+$24,000,000). In contrast, the request for Energy Supply, Research and Development is $1,930,710,000 in new budget authority or about $150,000,000 below the 1987 levels. The proposed program level for this account, however, assumes that some $336,000,000 of activities are funded from other sources. If the Congress continues support for solar and renewables, nuclear fission, magnetic fusion, basic energy research and other activities in this account, as they have in past years, there will be a need for an additional amount of budget authority.

Independent agencies.—As in previous years, the President proposes to terminate the Appalachian Regional Commission [ARC], including the Highway Development Program; and has proposed major (30 percent) reductions in the funding for the Tennessee Valley Authority [TVA]. In light of past congressional action, it appears that up to $150,000,000 of additional budget authority and commensurate outlays could be needed for these programs in 1988.

CBO BASELINE

Corps of Engineers.—While the CBO baseline estimate is slightly over the President's budget request for 1988, insufficient resources would be available to accommodate congressional priorities and 13 new start construction projects included in the President's 1988 request. With passage of Public Law 99–662, the Water Resources Development Act of 1986, some additional increase in spending is anticipated.

Bureau of Reclamation.—For the Bureau of Reclamation, the CBO baseline level is $65,000,000 below the President's budget request for 1988. The CBO funding level, combined with significant changes in the way funds have been allocated to ongoing construction projects in the Reclamation budget, would cause the termination of some projects and activities and the stretchout and delay of other ongoing projects and activities.

Department of Energy.—Under the CBO baseline estimate, funding for the Department of Energy would total just over $11,000,000,000 for fiscal 1988 compared to nearly $13,000,000,000 proposed in the President's budget. The baseline level reflects increases in the nondefense activities and a much lower level of funding for Atomic Energy Defense Activities. Finally, the treatment for offsetting revenues makes the need for additional budget authority more likely.

Independent agencies.—The CBO baseline estimate for independent agencies, namely the Appalachian Regional Commission, the Tennessee Valley Authority, and the Nuclear Regulatory Commission should be sufficient to continue these activities in fiscal 1988 at the prior-year level. The $644,000,000 CBO baseline estimate is $143,000,000 more than that which is included in the President's 1988 budget request which would once again curtail TVA activities and would terminate the ARC program.

FOREIGN OPERATIONS

INTRODUCTION

Programs funded by the Foreign Operations Subcommittee encompass the bulk of U.S. foreign assistance programs, multilateral and bilateral, economic and military. Included in these programs are such widely divergent activities as the Peace Corps and the World Bank. It can rightly be said that military assistance to countries with which we have base rights agreements and other access arrangements and Economic Support Fund assistance to countries of strategic geopolitical interest to the United States are the underpinnings of American foreign policy. Development assistance programs funded through the Agency for International Development and other, smaller institutions such as the Inter-American Foundation and the African Development Foundation can often make the difference between hope and despair for countless numbers of the poor in foreign lands and thus are significant elements in demonstrating American humanitarian concern while also contributing to the preservation of international stability. Moreover, the foreign assistance bill provides funding for programs such as international narcotics control, which are critical to the success of U.S. domestic programs.

FISCAL YEAR 1988 REQUEST

The administration's fiscal year 1988 request for programs under the jurisdiction of the Foreign Operations Subcommittee represents a 10.5-percent increase over the amounts provided in the fiscal year 1987 Foreign Assistance and Related Programs appropriations bill. Much of this increase is attributable to an effort to make up funding shortfalls due to the sharp reductions forced upon the function 150 accounts in last year's budget exercise.

These shortfalls in funding are not insignificant nor are they imaginary. They have real world implications. For example, sharp reductions were made in the Foreign Military Sales [FMS] Credit Program last year. These reductions followed the recommendatioins of the Committee on the Budget as presented in its Report No. 576 on the concurrent resolution on the budget. In that report, the Committee on the Budget stated that, "Flexible utilization of backlogged funds, reforms in existing foreign military sales practices, and limits on eligibility for balance of payments support could yield the required savings without prejudice to current national priorities."

Unfortunately, this recommendation assumed that it would be possible to utilize undisbursed amounts from prior year FMS loans. Infact, existing legislation governing the allocation of FMS credits made such a reallocation impossible to achieve. Moreover, the assumption that reforms in existing foreign military sales practices could be achieved proved to be unfounded. Several attempts to effect such changes were, in fact, opposed by authorizing committees having jurisdiction over the FMS program, despite efforts by the Senate Appropriations Committee to comply with the recommendations of the Senate Budget Committee. The only remaining alternative was to cut spending.

These reductions in overall FMS funding, in turn, led to a reduction in funding provided in FMS to Spain. This funding, which had been set at an annual level of $400,000,000 in accord with the agreement entitled, "Friendship, Defense, and Cooperation Agreement," between the United States and Spain, was reduced to $105,000,000. As a direct result of the failure of the United States to give effect to the best efforts pledge which is part of the agreement, Spain has pursued discussions which could lead to the removal of 79 F–16 aircraft, which make up a wing of the 16th United States Air Force located at Torrejon, Spain.

Estimates of the military construction costs for airfield upgrades in other countries to accommodate the displaced F–16 wing are $300,000,000. In other words, to save FMS credits to comply with budget ceilings based on arithmetic assumptions, the U.S. Government could well be forced to pay much larger sums in order to fulfill NATO missions.

Of equal significance, both in terms of economic development and national security, are the discordant reductions in budget authority and outlays imposed on the Appropriations Committee by the conference agreement on the budget resolution last year. As the Appropriations Committee attempted to cope with this mismatch, sharp reductions were made in funding for the multilateral development banks. Not only were economic development projects thrown into disarray and humanitarian endeavors set back, instability in political relations was introduced as newly emergent democracies grappled with economic and financial forces beyond their control—without being able to call upon the anticipated assistance of the MDB's. In this respect, one must consider that 6 of the top 10 borrowers of the International Development Association are located on the periphery of the Indian Ocean. The vital security interests the United States has in the region dictate that these countries have access to adequate levels of multilateral assistance to preserve economic stability. Therefore, the logical extension of actions taken by the Conference Committee on the fiscal year 1987 budget resolution led to an inability to carry out certain elements of U.S. foreign policy.

These are but a few of the examples which could be cited. Other critical foreign policy and national security relationships have been threatened by unrealistic reductions in the budget process. False savings in the 150 function and, more particularly, in the programs under the jurisdiction of the Foreign Operations Subcommittee can turn out to be quite costly indeed.

The Committee on Appropriations is not unmindful of the pressures on the Budget Committee. However, it is important that in these *views and estimates* the Appropriations Committee point out the logical consequences—in programmatic terms—of an approach which the Budget Committee may repeat this year.

CONSEQUENCES OF A BUDGET *FREEZE*

For fiscal year 1987, the Foreign Operations Subcommittee was allocated $13,400,000,000 in budget authority and $10,800,000,000 in outlays. The President's original budget request for fiscal year 1988 requested $15,900,000,000 in budget authority and $10,600,000,000 in outlays. As reestimated by the Congressional Budget Office (that is, the figures most likely to be used by the Budget Committee in its deliberations) the fiscal year 1988 request becomes $15,900,000,000 in budget authority and $12,000,000,000 in outlays. This reestimate by the CBO assumes, of course, that the President's proposal for sale of Export-Import Bank assets is carried out—an unlikely prospect.

Therefore, if the Foreign Operations Subcommittee is held to the budget authority and outlay ceilings available to the subcommittee for fiscal year 1987 and the $800,000,000 outlay offset of the Eximbank asset sales does not take place, the gap which must be addressed by the Foreign Operations Subcommittee is $2,500,000,000 in budget authority and $2,200,000,000 in outlays.

If the subcommittee is *frozen* at the budget authority and outlay levels allocated to it for fiscal year 1987, what are the consequences? The first consideration is that, if the Foreign Operations Subcommittee must achieve a $2,200,000,000 reduction in outlays from the fiscal year 1988 request (and, in practice, that reduction must come *only* from the *new outlays* requested by the President, that is $6,700,000,000), it would have to make a 33-percent reduction in outlays and that, in turn, would require an even greater reduction in budget authority in order to meet outlay reduction targets. This is due to the relatively slow spendout rates of most programs financed in the foreign assistance bill.

The second consideration, of course, is that certain programs are *protected* by a widespread desire in Congress to earmark funds to maintain progress in the search for peace in the Middle East. These programs have a comparatively high spendout rate. Consequently, it is realistic to say that to achieve the desired outlay reduction, the Foreign Operations Subcommittee would have to cut new outlays not associated with these *protected* programs by, at the very least, 83 percent! Again, if the Committee continues to recognize the congressional intent to protect certain programs through earmarkings, these reductions, in terms of budget authority, would require a cut of $6,900,000,000 from the President's $15,900,000,000 request.

Even if all programs in the Foreign Assistance bill were to bear a proportionate share of this reduction, a cut of this magnitude would be devastating. For example, in the Foreign Military Sales Credit Program, the reduction would leave only $476,000,000 to cover $1,300,000,000 in requested programs. This residual would not be enough to cover requests for Pakistan and Spain, and would leave nothing for NATO allies Greece and Turkey, or any other country.

In the Economic Support Fund, the reduction would leave only $570,000,000 to cover $1,600,000,000 in requested programs. If, as many desire, economic support programs for Central American countries were fully funded, less than $70,000,000 would remain. The clear consequence would be termination of programs in Pakistan, Cyprus, the Philippines, Ireland, Turkey, Portugal, and the whole of Africa, Latin America, and the Caribbean.

For development assistance, $800,000,000 would remain. The administration's proposal to initiate a special fund for Africa, which has been favorably received, would exhaust at least $500,000,000 of this amount. The residual would hardly provide enough to sustain hard won advances in health, nutrition, and population planning assistance programs. Cooperative relationships with U.S. State and land grant colleges would be severed or, at the very least, reduced to being little more than subsistence efforts.

Similar programmatic reductions would be required in such programs as migration and refugee assistance, international disaster assistance, narcotics control assistance, and many others which have, in the past, been initiated and sustained by the Congress.

TARGET CEILINGS

The Committee wishes to underscore that these figures for the Foreign Operations Subcommittee are factual. They do not exaggerate the difficulty faced by the subcommittee this year. If anything, they understate the difficulty because they do not consider that additional fiscal year 1988 outlays may arise as a result of congressional action on the requested fiscal year 1987 supplemental.

The Committee believes that budget authority at least equal to the President's requested amount should be made available for the programs under the jurisdiction of the Foreign Operations Subcommittee. While the subcommittee may not decide to recommend full funding of the President's request for each account, recognition of the fact that the Congress will provide funding in excess of the amounts requested for some accounts leads to the realization that funding at least equal to the President's overall request will be required. Therefore, the Committee believes that the minimal amount needed for budget authority is $15,900,000,000.

In so far as outlay requirements are concerned, the Committee believes that the amount of outlays in the President's request for the programs under the jurisdiction of the Foreign Operations Subcommittee, as reestimated by the Congressional Budget Office, is itself an understatement of the required amount. To meet its responsibility to present realistic estimates of required outlays, the Committee must state that it does not believe outlay *savings* will be achieved through the sale of assets of the Export-Import Bank of the United States. Moreover, the Committee must assume that fiscal year 1988 outlays will arise from congressional enactment of the requested fiscal year 1987 supplemental. Therefore, the Committee believes the minimal amount needed for outlays is $13,000,000,000.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT–INDEPENDENT AGENCIES

OVERVIEW

The administration is recommending $52,032,000,000 in new budget authority for the programs funded through the HUD-Independent Agencies appropriations bill. This would be a reduction of $4,080,000,000 below the total amount enacted for the current year. The administration is also proposing the rescission of $1,259,760,000 in the current fiscal year with offsetting increases of $302,015,000 for veterans compensation and pensions, retirement costs, and supplemental pay increases.

The cost of funding programs at current levels in fiscal year 1988 as calculated by the Congressional Budget Office would exceed the administration's estimates by $6,243,000,000 in budget authority.

The Committee recommends a low estimate of $52,300,000,000 in budget authority and $59,700,000,000 in outlays which represents the President's request plus items proposed for later transmittal. The Committee's high estimate recommendation of $60,000,000,000 in budget authority and $60,900,000,000 in outlays assumes that programs will be continued at current service levels and incorporates a number of possible initiatives described in the following narrative.

ANALYSIS

Department of Housing and Urban Development.—The administration has proposed a reduction of $3,611,679,000 in assisted housing funding with an accompanying shift of $704,100,000 in currently available budget authority into the next fiscal year. In conjunction with this recommendation the administration's budget provides no new funding for construction loans for elderly and handicapped housing. Support for the construction of new housing would be cut from 12,733 units in 1987 to 3,000 units in 1988 under this plan. The Congress has resisted proposed reductions of this magnitude in the past.

The budget also proposes a cut of $490,200,000 in Community Development Block Grant funds in the coming fiscal year together with the termination of the $225,000,000 Urban Development Action Grant Program. Rescissions of $612,700,000 are proposed for the two programs in fiscal year 1987.

A legislative initiative to expand programs to provide shelter to the homeless could result in a $230,000,000 increase in the Department's fiscal year 1988 budget. The Department plans to shift a $10,000,000 shelter program to the Federal Emergency Management Agency [FEMA] in the next fiscal year.

Environmental Protection Agency.—The Environmental Protection Agency's [EPA] operating programs would be funded at roughly this year's levels under the President's budget. However, the recently passed Clean Water Act may cost an additional $50,000,000 to $75,000,000 to fully implement.

The administration plans to provide $2,000,000,000 for waste treatment construction grants in fiscal year 1987 and 1988. The traditional funding level for the program is $2,400,000,000 and it was recently reauthorized at that level.

Although the Superfund amendments provide for the appropriation of $250,000,000 from the general fund of the Treasury, EPA's proposed budget would limit support to $1,200,000,000, to be provided from the hazardous substances response trust fund. The total requested is $211,300,000 below last year's appropriation but the obligation level is expected to rise to $1,578,600,000 because of carryover funding.

Federal Emergency Management Agency.—The administration has recommended an increase of about 3 percent in FEMA's budget, providing for a total allowance of $613,394,000. A recently introduced food and shelter bill would increase funding for the FEMA homeless program by $70,000,000 in each of fiscal years 1987 and 1988.

National Aeronautics and Space Administration.—Although the National Aeronautics and Space Administration's [NASA] budget request is for $953,000,000 less than the Congress appropriated last year, fiscal year 1987 funding included a one-time appropriation of $2,100,000,000 to replace the *Challenger* space shuttle orbiter. The fiscal year 1988 request of $9,481,000,000 exceeds last year's budget by $1,147,000,000 if the fourth orbiter is left out of the picture.

Major components of the increase are an added $347,000,000 for the proposed space station for a total space station budget of $767,000,000, and an additional $349,000,000 for space flight operations and communications. The space station request will in all likelihood be given careful scrutiny in view of projected cost overruns.

The Congress can be expected to continue to fund the advanced communications technology satellite at a cost of $70,000,000, although the administration has once again proposed the termination of this project. A 1990 launch of the Mars observer mission, which the administration proposed to activate in 1992, would require an additional $50,000,000 to $100,000,000 in the 1988 budget.

National Science Foundation.—The administration has proposed a 17-percent increase in the National Science Foundation's [NSF] budget in fiscal year 1988. The $1,893,000,000 requested would exceed the current budget by $270,150,000. This is the first step in a planned doubling of the NSF budget over the next 5 years as a means of improving our international competitiveness.

Veterans' Administration.—The President's budget includes $26,964,593,000 for the Veterans' Administration [VA], an increase of $919,739,000 over the current budget. The bulk of the increase ($555,791,000) is in the "Medical care" account. The VA also plans to submit a request for an additional $301,000,000 if legislation tying increases in compensation payments to the Consumer Price Index is enacted into law.

Although the administration has proposed a reduction in medical care staffing, the Congress has refused to approve such reductions in past years. Maintaining current levels could increase the budget request by as much as $250,000,000.

The administration will propose legislation increasing a funding fee for veterans home loans from 1 percent to 2.5 percent. If such legislation were approved by the Congress, a requested appropriation of $389,800,000 to cover the losses of the loan guaranty revolving fund would not be needed. If, on the other hand, the current fee of 1 percent were allowed to lapse on September 30, 1987, funding of roughly $250,000,000 in addition to the $389,800,000 requested would be necessary.

CREDIT ACTIVITIES

The administration is proposing reductions of $30,000,000,000 in the limitation on Federal Housing Administration guaranteed loans and $50,000,000,000 in guarantees of mortgage-backed securities by the Government National Mortgage Association. These cuts of approximately one-third may adversely affect the real estate market if interest rates remain low or undergo a further decline. However, the proposed limitations may be adequate if interest rates go up.

INTERIOR AND RELATED AGENCIES

INTRODUCTION

The Interior Subcommittee funds over 30 agencies in five separate Cabinet departments including the Departments of the Interior, Energy, Agriculture, Education, Health and Human Services. For the past 7 years, appropriations have ranged from $8,000,000,000 to $10,000,000,000. The budget resolution, however, has consistently underestimated the funding requirements of the Interior bill by $500,000,000 to $1,000,000,000.

Revenues generated by this legislation total over $10,000,000,000 annually and are second only to the Treasury Appropriations Subcommittee which funds the Internal Revenue Service.

RECOMMENDATION

The subcommittee is recommending an estimate of $9,613,000,000 for budget authority and $10,118,000,000 in outlays in fiscal year 1988. These totals are conservative estimates based on historical experience and the need for increases in certain energy programs. While the budget authority recommended by the Department of the Interior and Related Agencies Subcommittee is nearly $2,100,000,000 above the President's estimate, it is important to note that the administration has submitted a request which advances a number of wornout proposals for reductions that have not been accepted in the past, as well as new reductions which are shortsighted and represent poor long-term investment decisions for the use of this Nation's energy and natural resources.

SUMMARY OF VIEWS AND ESTIMATES

	Budget authority	Budget outlays
Fiscal year 1988 President's request	$7,551,000,000	$5,747,000,000
Additional requirements as noted below	2,062,000,000	1,333,000,000
Prior-year outlays		3,038,000,000
Total requirement for the Department of the Interior and Related Agencies Subcommittee	9,613,000,000	10,118,000,000

Specific requirements for increases above the President's request are detailed below:

BUREAU OF LAND MANAGEMENT

Budget authority	+$100,000,000
Budget outlays	+100,000,000

The administration requested no funds for firefighting requirements which will inevitably occur during fiscal year 1988. The historical levels are approximately $100,000,000 for this direct outlay purpose.

FISH AND WILDLIFE SERVICE

Resource management

Budget authority	+$63,000,000
Budget outlays	+55,000,000

The increase is necessary to continue the present level of management activity on Federal refuge lands, including management of mandated endangered species programs. The administration further proposes to fund $25,000,000 of these activities from the Wallop-Breaux trust fund which would be an unauthorized transfer and unlikely to be approved by Congress.

Construction

Budget authority	+$20,000,000
Budget outlays	+5,000,000

The increase is necessary to meet known facility maintenance and rehabilitation construction requirements in fiscal year 1988.

NATIONAL PARK SERVICE

Operations of the NPS

Budget authority	+$74,000,000
Budget outlays	+60,000,000

The additional funding restores budget reductions, which the administration proposed to be offset with park fee collection receipts which will require enactment of new legislation.

Historic preservation

Budget authority	+$32,000,000
Budget outlays	+29,000,000

Recommendation restores fiscal year 1987 level for State grant funds, recapitulates several special preservation funds for the National Trust for Historic Preservation, and covers needed financial and technical assistance for critical historical properties like Montpelier.

Construction

Budget authority	+$60,000,000
Budget outlays	+15,000,000

The increase is necessary to meet known facility maintenance, rehabilitation, and construction requirements in fiscal year 1988.

GEOLOGICAL SURVEY

Budget authority	+$20,000,000
Budget outlays	+16,000,000

Increase is necessary to continue high priority research activities initiated in fiscal year 1987 and prior years.

BUREAU OF MINES

Budget authority	+$18,000,000
Budget outlays	+14,000,000

Increase continues only some of the high priority research initiated in fiscal year 1987 and prior years and does not restore program to current law.

MINERALS MANAGEMENT SERVICE

Budget authority	+$55,000,000
Budget outlays	+55,000,000

Budget proposal assumes partial funding of receipt collection costs from State resources, a plan which has been rejected repeatedly by Congress.

OFFICE OF SURFACE MINING

Budget authority	+$40,000,000
Budget outlays	+40,000,000

Increase is for abandoned mine land fund reclamation projects. Funds collected in this trust fund are not the property of the Government and should not be withheld from the States when the States can demonstrate a need.

BUREAU OF INDIAN AFFAIRS

Operation of Indian programs

Budget authority	+$29,000,000
Budget outlays	+14,000,000

Increase only covers one-half the increase required under current law.

Construction

Budget authority	+$38,000,000
Budget outlays	+7,000,000

The increase is necessary to meet known construction requirements in fiscal year 1988.

TERRITORIAL AND INTERNATIONAL AFFAIRS

Budget authority	+$40,000,000
Budget outlays	+49,000,000

The increase is necessary to continue ongoing programs and to continue construction projects initiated in fiscal year 1987. Outlays also accommodate a reestimate of the President's budget.

OFFICE OF THE SECRETARY OF THE INTERIOR

Budget authority	−$5,000,000
Budget outlays	−8,000,000

Recommendation reduces by 60 percent the increase proposed in the President's budget for the Secretary's office compared to the fiscal year 1987 enacted level.

FOREST SERVICE

Forest research

Budget authority	+$14,000,000
Budget outlays	+11,000,000

Increase is recommended to partially restore traditional funding levels for forest research.

State and private forestry

Budget authority	+$26,000,000
Budget outlays	+26,000,000

Change restores fiscal year 1987 program level which has extremely broad congressional support.

National Forest System

Budget authority	+$205,000,000
Budget outlays	+180,000,000

Increase above the President's budget includes $125,000,000 for firefighting costs which inevitably will occur during fiscal year 1988 but for which the administration has requested no funds, $52,000,000 to restore program operations which the President proposed to fund from recreation fees which are presently unauthorized, $20,000,000 for reforestation activities and $8,000,000 to partially restore other system operations to the 1987 levels.

Construction

Budget authority	+$43,000,000
Budget outlays	+21,000,000

The increase is necessary to meet known construction, maintenance, and rehabilitation requirements in fiscal year 1988.

CLEAN COAL TECHNOLOGY

Budget authority	+$300,000,000
Budget outlays	+105,000,000

The success of the Department of Energy's first round of clean coal projects together with extremely expensive acid rain legislation which has been proposed in both Houses of Congress make it essential that substantial additional funds be provided for this program which can lead to a more effective SO_x-NO_x reduction effort at less cost.

FOSSIL ENERGY RESEARCH AND DEVELOPMENT

Budget authority	+$125,000,000
Budget outlays	+67,000,000

The recommendation falls several million below the fiscal year 1987 program level and preserves essential ongoing efforts to continue and expand utilization of our vast domestic coal reserves in an environmentally acceptable manner. This research, as with other energy programs, is especially important in view of the fact that oil imports increased by 22 percent during the past year and are continuing to climb sharply. The oil imports problem is of even greater concern this year in light of the falling dollar, the huge trade deficit this country has, and general trade issues pending before the Congress. Consequently, funding for energy programs takes on increased importance.

ENERGY CONSERVATION

Budget authority	+$260,000,000
Budget outlays	+25,000,000

The recommendation restores funding for the weatherization and other State grant programs, as well as basic ongoing conservation research activities. Rationale for these increases is contained above.

STRATEGIC PETROLEUM RESERVE

SPR operations and construction

Budget authority	+$40,000,000
Budget outlays	+10,000,000

The increase covers additional construction requirements to keep the facilities development program on schedule.

Petroleum acquisition

Budget authority	+$336,000,000
Budget outlays	+247,000,000

The increase above the President's budget is based on the congressionally mandated fill rate of 75,000 barrels per day compared to 35,000 in the request. The recommendation is also approximately $60,000,000 in budget authority above the CBO baseline due to assumed increases in petroleum prices. The baseline apparently assumes a per barrel figure of $18.15 while present delivered prices have already reached that level. This analysis assumes a fiscal year 1988 average delivered price of $20.35.

INDIAN HEALTH SERVICE

Health services

Budget authority	+$108,000,000
Budget outlays	+82,000,000

Increase partially restores budget reductions in the operation of Indian hospitals, health clinics, and dental, mental and alcoholism programs, as well as contract medical care. Congress has specifically disagreed with similar reductions proposed in the past and consequently such funding will undoubtedly be needed in fiscal year 1988.

Indian health construction

Budget authority	+$71,000,000
Budget outlays	+18,000,000

The increase is necessary to meet known construction requirements in fiscal year 1988.

NATIONAL ENDOWMENT FOR THE ARTS AND THE HUMANITIES

Budget authority	+$50,000,000
Budget outlays	+25,000,000

Congress has consistently supported these programs at the current law level, rejecting sharp reductions proposed by the administration in the past.

OUTLAY IMPACT OF FISCAL YEAR 1987 RESCISSION PROPOSALS

Fiscal year 1987 rescission proposed by the President but not accepted:

Budget authority	
Budget outlays	+$65,000,000

TOTAL ADDITIONAL REQUIREMENTS—INTERIOR SUBCOMMITTEE

Total additional requirements above the fiscal year 1988 President's request as identified above:	
Budget authority	$2,062,000,000
Budget outlays	1,333,000,000

LABOR-HHS-EDUCATION AND RELATED AGENCIES

The President's request for the programs funded under the jurisdiction of the Labor-HHS-Education and Related Agencies Subcommittee is $117,456,000,000 in budget authority and $125,081,000,000 in outlays although the CBO reestimate of the outlays associated with the President's request is $125,657,000,000 or $576,100,000 more than estimated by the administration.

For discretionary programs, the CBO baseline is $4,800,000,000 over the President's budget, and $2,000,000,000 above the fiscal 1987 enacted budget authority level. Last year, discretionary appropriations increased by $3,900,000,000 over the fiscal 1986 enacted levels, instead of $3,100,000,000 in reductions requested by the President.

For entitlement programs, the CBO baseline is $4,200,000,000 over the President's estimates. However, if proposed legislation for later transmittal were enacted, savings of $2,900,000,000 below the CBO baseline would be achieved in Medicaid, payments to health care trust funds, special benefits for disabled coal miners, and family support payments to States.

On an overall basis the President's request is $8,984,000,000 below the current services baseline for budget authority and $7,372,000,000 below the current services baseline for outlays. The comparison between the current services baseline and the President's request by title of the bill follows:

[In billions of dollars]

	President's estimate		CBO baseline[2]		Difference	
	BA	Outlay[1]	BA	Outlay	BA	Outlay
Title I—Labor	5,792	4,285	6,369	4,304	577	19
Title II—HHS	84,207	79,364	87,127	84,256	2,290	4,892
Title III—Education	13,986	4,111	19,354	5,768	5,368	1,657
Title IV—Related agencies	659	636	779	766	120	130
Total, current year	104,644	88,396	113,628	95,094	8,984	7,372
Other mandatories:						
Prior-year advances	12,812	12,768	12,812	12,812	0	44
Prior-year outlays		23,917		25,547	0	630
Mandatory	(84,598)	(106,916)	(88,752)	(111,767)	(4,154)	(4,851)
Discretionary	(32,858)	(18,165)	(37,688)	(20,686)	(4,830)	(2,521)
Grand total	117,456	125,081	126,440	132,453	8.984	7,372

[1] OMB estimates.

[2] Revised February 19, 1987, estimates.

For Department of Labor programs, virtually all the $577,000,000 difference between the President's budget and the CBO baseline is in employment and training programs. The President's fiscal 1988 request is based on $332,000,000 in fiscal 1987 rescissions not assumed by CBO. Instead of curtailing the Dislocated Worker and Summer Youth Programs, the CBO estimate assumes continuation of the current program levels. The administration has proposed reductions in these programs to be offset by $1,130,000,000 of increases to be transmitted later as part of the President's new AFDC Youth and Dislocated Worker Assistance Program.

For the Department of Health and Human Services the CBO baseline for discretionary programs is $140,000,000 below the President's request. There are several major differences masked by this number. For the National Institutes of Health, CBO has excluded the $2,700,000,000 included by the administration to forward fund new grants awarded in 1988. The other major changes are explained by decreases proposed by the administration for refugee and entrant assistance (−$148,000,000); low-income home energy assistance (−$662,000,000); drug treatment funds of the Alcohol, Drug Abuse, and Mental Health

Administration (−$342,000,000); and the Health Resources and Services Administration [HRSA] (−$292,000,000). The reduction proposed for HRSA includes an $173,000,000 reduction for education of health professionals, including physicians assistants, geriatric specialists, doctors, nurses, and other health professionals.

For the mandatory programs of the Department of Health and Human Services, cuts proposed below the baseline by the administration include $1,900,000,000 for Medicaid reforms; $266,000,000 for Medicare reforms (both requiring legislation), and $881,000,000 for the AFDC Program resulting from the administration's lower program growth (beneficiary) assumptions, as well as higher projected savings from error rate sanctions.

For the Department of Education, the President's request is $5,400,000,000 below the baseline, representing the largest proposed percentage reduction in the budget (−28 percent) for any Federal program. Reductions in student financial assistance and guaranteed student loans below the baseline total $3,100,000,000, and termination of the Vocational Education Program represents a $901,000,000 reduction below the baseline.

For the 14 related agencies, most of the $120,000,000 below the baseline is explained by an administration proposal to cut the Federal contribution to the railroad pension fund by 25 percent or $92,000,000.

In summary few of the proposed reductions below the baseline are feasible and most have been proposed and rejected in the past. Several, most notably the Medicare and Medicaid reductions, would require the enactment of new legislation, the prospects for which are not promising. If the discretionary programs were all frozen at the 1987 level, a $2,000,000,000 reduction below the baseline would result.

DISCUSSION OF PRESSURES FOR FUNDING OVER THE BASELINE

Department of Labor increases over the baseline would result from enactment of the administration's legislative initiatives for AFDC youth and worker adjustment assistance. Annualization of possible supplementals for State unemployment offices, the Work Incentive Program and the as yet unfunded target jobs tax credit administrative costs would add additional amounts over the 1988 baseline.

For the Department of Health and Human Services, increases over the baseline would result from funding of the maternal and child health care block grant at the newly authorized levels. The increased funding would allow for special set asides for screening of newborn genetic disorders, and for health care projects and demonstrations of primary care for children with special health care needs. Proposals to increase programs under the National Institutes of Health and the Alcohol, Drug Abuse, and Mental Health Administration over baseline levels can also be anticipated.

Serious consideration will be given to the recent recommendations by the National Academy of Sciences regarding increases in the Federal effort to combat acquired immune deficiency syndrome [AIDS]. Funding for these AIDS programs in fiscal year 1988 will require increases over the baseline.

For the Department of Education, fully funding education for a competitive America legislation and funding the Pell Grant Program consistent with the Higher Education Amendments of 1986 could add significantly to baseline projections. Additionally, upward adjustments are anticipated in the Guaranteed Student Loan Program. Finally, more adequately funding the special education, vocational rehabilitation, compensatory education, math science education and new programs for dropout prevention will also add above the baseline.

[In billions of dollars]

	President's request		CBO baseline		Low estimate		High estimate	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Mandatory	84.6	106.9	88.8	111.8	88.8	111.8	89.1	112.1
Discretionary	32.8	18.2	37.7	20.6	35.7	19.6	40.8	22.0
Change to CSBA:								
Supp. carryover	....	0.1	....	0.1	....	0.1	....	0.1
Excluded items	....	....	....	....	....	....	....	....
Total[1]	117.4	125.2	126.5	132.5	124.5	131.5	129.9	134.2

[1] Due to carryover items and rounding, totals may differ from others in this section of the report.

ADDITIONAL VIEWS

The dollar estimates cited in this section of the report do not reflect the views of either the ranking minority member of the subcommittee or the ranking minority member of the full Committee. The low estimate is grossly insufficient and totally inadequate to fund current subcommittee programs in fiscal year 1988. Even the high estimate is insufficient to fund current subcommittee programs and many of the new initiatives cited earlier in this section of the report. It is more realistic to expect that $4,400,000,000 in discretionary budget authority above current services will be needed to meet our national commitment in such areas as health, education, and other human service programs.

LEGISLATIVE BRANCH

In accordance with law, the budget estimates of the agencies within the jurisdiction of the Legislative Branch Subcommittee are included in the President's budget request as submitted by the agencies.

The Committee believes the amounts included in the President's submission for fiscal year 1988, totaling $1,960,452,000, to be adequate for the activities for which they are intended. However, if significant additional requirements are enacted, or opportunities for savings identified, this sum could be adjusted accordingly.

This amount includes funds to provide for congressional operations, the Library of Congress, Architect of the Capitol, the General Accounting Office, Congressional Budget Office, Government Printing Office, the Office of Technology Assessment, the Joint Committee on Printing, and the Joint Economic Committee.

MILITARY CONSTRUCTION

The military construction appropriations bill provides funding for construction at military installations worldwide as well as construction and operations of family housing. The military construction bill represents only 3 percent of the national defense budget function (050). However, funding is being requested for almost 1,300 new construction projects and operation of over 400,000 family housing units.

The fiscal year 1988 request of $10,072,957,000 in budget authority represents an 18-percent real increase ($1,900,000,000) over the amounts approved by Congress for fiscal year 1987. The fiscal year 1988 request anticipates $8,173,906,000 in budget outlays. Since military construction projects outlay very slowly in the first year, projected fiscal year 1988 outlays represent a real increase of less than 1½ percent over estimated fiscal year 1987 outlays.

The Committee notes that while the Department of Defense has requested 3 percent real growth in budget authority for the total 050 national defense function, the increase for the military construction and family housing accounts is 18 percent, six times larger. The request, therefore, represents the relative priority the Department of Defense places on military construction and family housing activities, a priority shared by the Committee on Appropriations. The Committee believes that any allocation for military construction and family housing based on budget resolution assumptions should reflect this priority.

The Committee, however, believes the pending request can be reduced to comply with the need to achieve deficit reduction targets. However, since hearings have not yet been held on individual projects, it is too early in the process to determine the exact amounts which can be cut by the Committee. It is the preliminary view of the Committee that any reduction below $9,350,000,000 in budget authority and $8,020,000,000 in outlays would result in the elimination of many high priority projects including potential deferral of facilities to support new missions such as the Navy's homeporting initiative, the Army's light infantry division initiative, the Air Force's beddown of the advanced technology bomber, and construction associated with the Strategic Defense Initiative.

TRANSPORTATION

The President's budget for fiscal 1988 requests a total of $8,498,493,000 in budget authority and $26,349,963,000 in outlays for the agencies and programs within the direct jurisdiction of the Transportation Subcommittee. This represents a reduction in budget authority of $1,883,876,000, or 18 percent, from the enacted fiscal year 1987 level. Despite the reduction in budget authority, prior-year appropriations for capital investment programs produce a slight increase in outlays of approximately 1 percent.

The total requested is the net of significant enhancements in some agencies, most notably the Federal Aviation Administration [FAA], and major program reductions and terminations in other areas, primarily Amtrak and mass transit. Most of the proposed cuts have been advanced by the administration in prior years and rejected by the Congress. At the same time, there is broad support for providing FAA and the Coast Guard the additional resources they need to perform their vital functions. Thus, the Committee faces a difficult quandary in seeking to provide adequate transportation funding.

A brief comparison of the preliminary CBO fiscal year 1988 revised baseline for transportation programs within the Committee's jurisdiction with likely funding requirements suggests the dimensions of the problem. The baseline totals are $10,989,000,000 in budget authority and $27,649,000,000 in outlays. The President's request is below the baseline by $2,490,507,000 in budget authority and $1,299,037,000 in outlays. In addition, the President's budget proposes increases totaling $1,330,000,000 in budget authority over the enacted fiscal year 1987 levels. Of this amount, $1,160,000,000 is for enhancements to the FAA and Coast Guard.

LOW ESTIMATE

The Committee's low estimate for transportation is $10,939,000,000 in budget authority and approximately $27,796,000,000 in outlays.

This estimate is the product of:

—Restoring the major program reductions and terminations proposed by the President to baseline levels or to reflect recent Senate action in the highway and transit areas.

—Taking into account the likely effects of pending and anticipated fiscal year 1987 supplementals *sans* the offsets from high priority congressional programs proposed by the administration.

—Straightlining program levels for the majority of accounts.

—Restoring baseline funding for the congressionally mandated drug enforcement initiative enacted last Congress.

HIGHLIGHTS OF THE LOW ESTIMATE

SUBFUNCTION 401: SURFACE TRANSPORTATION

Rail.—The President's request for fiscal year 1988 rail activities does not include funding for a number of programs which have recently received congressional approval.

In the Consolidated Omnibus Budget Reconciliation Act of 1985 Amtrak was authorized $630,300,000 for fiscal year 1988. The President's request does not include funding for this program or for the attendant Northeast Corridor Improvement Program. Funding for these two programs is included in the low estimate at the revised baseline levels of $617,000,000 and $18,000,000 respectively, and are additions to the President's request.

The President's budget for function 400 assumes an offset of $190,000,000 associated with receipts resulting from the proposed sale of loan assets, redeemable preference shares, to the public. This sale is assumed in the low estimate, with the net result a reduction of $190,000,000 in outlays from the total. If these sales were not made or if the receipts realized are less than that estimated, it would require further reductions in other transportation accounts to make up the outlay difference of $190,000,000.

Transit.—In the transit area the President's request reflects the administration's transit reauthorization bill, which completely reorganized the way transit is funded and eliminated the $2,000,000,000 general fund program. To reflect the recently passed (February 4, 1987) Senate transit bill, an additional $2,420,000,000 above the President's request is added.

Highways.—In the highway area, the administration has requested an all-inclusive obligation ceiling on the Federal-aid Highways Program of $12,787,000,000. This is approximately $1,000,000,000 less than that provided in fiscal year 1987 and $445,000,000 less than provided for in the Senate-passed (February 4, 1987) highway bill S. 387.

For purposes of the low estimate, additional outlays have been included to reflect obligation ceiling differences with the President's assumptions and different spendout rate estimates.

The low estimate does not include additional funding for a number of individual highway projects that had received appropriations in fiscal year 1987. These are generally single purpose demonstration-type projects including: access highways to lakes; waste isolation pilot project roads in New Mexico; nuclear waste roads in New Mexico; highway safety improvement projects in Michigan; airport access roads in California, Louisiana, and Oklahoma, and safety improvement and economic development projects in Minnesota and Mississippi and rail-highway crossing projects in New York, Illinois, Indiana, Nebraska, Georgia, and Texas.

Highway safety.—The low estimate includes additional budget authority and outlays for the National Highway Traffic Safety Administration's [NHTSA] operations and research activities to bring NHTSA back up to the fiscal year 1987 level.

Other.—The Committee has included the full year's budget authority and outlays associated with the Interstate Commerce Commission [ICC] necessitating additions of $34,000,000 and $31,000,000 respectively. The administration intends to forward legislation that would sunset the ICC and transfer remaining responsibilities to a number of agencies. This proposal was offered last year but no legislation was transmitted affecting the change. Therefore, the Committee assumes full funding for the agency.

SUBFUNCTION 402: AIR TRANSPORTATION

The revised baseline for FAA, in the aggregate, is approximately $3,920,000,000. This level does not provide funding for important, safety-related program increases requested by the President for FAA. The major increases for FAA are for 225 additional air traffic controller positions, 178 additional aviation safety inspectors, and an array of system modernization procurements under the National Airspace System [NAS] plan. All of these enhancements are intended to improve the margin of aviation safety.

It is important to understand the implications of this level of funding for the management of the national aviation safety system. The baseline would more or less straightline existing FAA operations. It would support roughly the same level of effort in inspections, enforcement, air traffic control, maintenance, et cetera. At the same time, the volume of air traffic continues rapid growth and delays are mounting. Thus, the result of a program freeze in FAA operations will be either degradation of safety margins, increased delays, or both.

The impact on FAA's capital accounts would be even more disruptive. The NAS plan is already behind schedule and further delays will add to cost and postpone the benefits of the modernization of the ATC system. Moreover, many of those projects cannot be put on hold without dislocating contractor design and production teams. Further, aviation trust fund balances—which already exceed $8,000,000,000—would continue to increase, a very sore point with many in the aviation community. A trigger tax provision under which ticket taxes and other sources of trust fund receipts would be suspended if trust fund balances reach a given level is under active consideration in the reauthorization process. Thus, it is conceivable that freezing FAA expenditures would be self-defeating. The spending reduction could be more than offset by the loss of trust fund receipts.

SUBFUNCTION 403: WATER TRANSPORTATION

Coast Guard.—The total revised baseline for Coast Guard is approximately $2,700,000,000. This level does not provide funding necessary to maintain current Coast Guard program operating levels and is short of the President's request by at least $52,000,000 in the critical operations and expenses appropriation. The total cost of maintaining existing levels of effort, including the funding formerly provided in the defense bill, and bringing new assets on line will approach $2,000,000,000 for the "Operating expenses" account. The President's request of $1,960,000 assumes $19,200,000 in management savings and other cost reductions.

The effect of freezing Coast Guard operations and expenses would be to lay up and or postpone the commissioning of patrol boats, cutters, and aircraft crucial to Coast Guard missions. Several additional ships, planes, and helicopters are expected to be ready for service during the last half of fiscal year 1988. The baseline would not provide the personnel to run them.

The President's 1988 request includes $277,900,000 in funding for the continued modernization of the Coast Guard's capital assets. The numbers are somewhat deceiving, however, because the "Coastal defense augmentation" account in the defense bill provided an additional $200,000,000 for the current year and $375,000,000 in fiscal year 1986. Thus, the actual capital program for fiscal year 1987, for example, is $498,000,000.

Panama Canal.—The President will propose legislation to convert funding for the Panama Canal Commission from a direct appropriation to a trust fund. This would move $476,000,000 off budget, if the proposed legislation is enacted. The low estimate continues funding at the revised baseline level of $462,000,000.

HIGHLIGHTS OF THE HIGH ESTIMATE

The high estimate totals $13,205,000,000 in budget authority and $28,906,000,000 in outlays. The high estimate includes:

—All the restorations provided in the low estimate.

—Program increases for FAA and Coast Guard requested by the President:

—Funding for congressional initiatives in: aviation safety; rail safety; drug enforcement; and Coast Guard capital acquisitions.

—Funding for possible authorization increases in: mass transit; highways; and aviation (airport improvement program).

SUBFUNCTION 401: SURFACE TRANSPORTATION

Rail.—In addition to the amounts already added for purposes of the low estimate which was primarily to restore terminated programs, the Committee may face demands to increase funding for safety-related projects, in the wake of the Amtrak-Conrail accident of January 4. Approximately $70,000,000 may be necessary to fund these initiatives.

Transit.—The recently passed Senate transit bill is in conference with the House. The House version of the transit bill is considerably higher than the Senate bill. The Committee expects that there will be efforts to increase transit funding above the baseline level contained in the low estimate. Additional budget authority of $150,000,000 and outlays of $250,000,000 are included to accommodate the authorizing committee's potential compromise.

Highways.—The highway reauthorization bill is also in conference committee. The potential major increases over the Committee's low estimate baseline are for approximately $250,000,000 of highway demonstration projects contained in the House reauthorization bill (H.R. 2). The Committee has not specifically included funds for these projects. It has, however, included budget authority of approximately $100,000,000 not included in the low estimate. It is intended that these funds be used to continue those activities funded in the 1987 appropriation bill and to possibly accommodate a limited number of new projects.

Other.—No additional funds above those contained in the low estimate are requested in the high estimate for other surface transportation activities.

SUBFUNCTION 402: AIR TRANSPORTATION

FAA.—The total requested by the President for the various programs administered by the FAA is $4,786,401,000. This is an increase of $980,320,944 over the fiscal year 1987 enacted level. The high estimate for FAA would provide for this increase and adds another $1,900,000,000 to accelerate the rebuilding of the human and physical capacity of the air traffic control system.

SUBFUNCTION 403: WATER TRANSPORTATION

U.S. Coast Guard.—The President's budget proposes a total of $2,718,667,000 for the Coast Guard. The high estimate adds just over $1,000,000,000 to the Coast Guard budget.

The high estimate includes funding for the President's original request and provides room for possible congressional initiatives in drug enforcement, fisheries enforcement, et cetera. It should be noted, however, that the President's budget assumes a number of management savings, including contracting out and realignment of logistics and maintenance functions, as offsets. If these assumed savings are not achieved, additional budget authority and outlays will be necessary to attain a comparable program.

The request also reflects the incorporation into the Coast Guard base of the costs of 300 formerly reimbursable law enforcement detachment personnel. The high estimate would assure that adequate funds are available for this purpose. The requested budget, furthermore, does not provide continued funding in fiscal year 1988 of the drug enforcement initiatives enacted in the Omnibus Drug Supplemental of 1987. The high estimate restores the revised baseline for this activity at $41,000,000.

[In billions of dollars]

	President's request (Estimate by CBO including supplementals)		Low estimate		High estimate	
	BA	Outlays	BA	Outlays	BA	Outlays
Mandatory	387	17,985	387	17,985	387	17,985
Discretionary	8,111	8,407	10.552	9,811	12.818	10.921
Total	8,498	26,392	10,939	27,796	13,205	28,906

Treasury, Postal Service, and General Government

The Treasury, Postal Service, and General Government Subcommittee is responsible for funding the programs and activities of the U.S. Department of the Treasury; the U.S. Postal Service; all of the Executive Office of the President agencies, except the Office of the U.S. Trade Representative, the Office of Science and Technology Policy, and the Council on Environmental Quality; the General Services Administration; and certain other independent agencies, commissions, boards, and offices.

It should be carefully noted that in order to meet the February 25, 1987, deadline for views and estimates to be presented to the Budget Committee, neither the subcommittee nor the full Committee have had the opportunity to analyze in detail the various budget justifications and submissions from the Department of the Treasury and the other independent agencies, commissions, boards, and offices under the jurisdiction of the Treasury, Postal Service, and General Government Subcommittee. Furthermore, the Committee has not had the benefit of oversight hearings to discuss individual agency budget requests with administration witnesses, nor has it been able to hear from the numerous public witnesses scheduled to testify on agency budgets later this spring. In fact, the first scheduled hearing before the subcommittee will occur only 2 days before the February 25 reporting deadline.

Nevertheless, the subcommittee has made some tentative views and estimates with regard to the total amount of new budget authority and outlays required to fund these important programs and activities in fiscal year 1988. In reaching a tentative estimate of total appropriations required in fiscal year 1988, the subcommittee has examined the Congressional Budget Office's preliminary baseline estimates of budget authority and outlays for the programs and activities which fall under the jurisdiction of the Treasury, Postal Service, and General Government Subcommittee, as well as the CBO reestimate of the President's budget request for fiscal year 1988. The Committee has also given great weight to the President's actual budget request for the next fiscal year, including his supplemental budget estimates for fiscal year 1987; any proposed rescissions for the current fiscal year and their impact on fiscal year 1988 activities; and any proposed deferrals for fiscal year 1987 and their impact on fiscal 1988 spending projections. In doing so, the subcommittee has expressed its views and estimates by showing both a low estimate, or floor appropriation estimate and a higher estimate that reflects its best analysis and projection of what actual appropriations will ultimately be recommended by the Committee and the Congress upon enactment of the fiscal year 1988 Treasury, Postal Service, and General Government appropriations bill. However, neither estimate should reflect, in any way, a final determilnation by the subcommittee on specific line item funding levels within the aggregate totals proposed. The specific funding levels by account and by program will be determined by the subcommittee through the normal markup process and not by the Budget Committee in its formulation of the Concurrent Resolution on the Budget.

The following table reflects the views and estimates of the subcommittee regarding the lowest possible appropriation level and a higher, more realistic projection of what both the Committee and the Congress are most likely to recommend for fiscal year 1988, in both budget authority and outlays:

[In billions of dollars]

	President's request		CBO baseline		Low estimate		High estimate	
	BA	O	BA	O	BA	O	BA	O
....	14.6	14.8	14.9	14.8	14.9	14.8	15.5	15.6

FISCAL YEAR 1987 SUPPLEMENTALS AND RESCISSIONS

The President has requested a total of $166,727,000 in program supplementals for the Department of the Treasury and other agencies under the jurisdiction of the Treasury Subcommittee, plus another $3,889,000 to cover the cost of the 3-percent pay raise in certain agency accounts, and $124,533,000 to cover the cost of the new Federal Employee Retirement System [FERS] for certain agency accounts in fiscal year 1987. For the purposes of this report, the subcommittee has assumed in its estimates, the fiscal year 1988 effect of the pay raise supplemental requested by the President.

The Committee is also faced with three proposed rescissions. They are:

—$8,450,000 for salaries and expenses of the Federal Law Enforcement Training Center;

—$15,000,000 for salaries and expenses of the Bureau of Alcohol, Tobacco and Firearms [BATF]; and

—$38,945,000 for salaries and expenses for the U.S. Customs Service.

In view of the strong support the subcommittee and the Congress have exhibited toward enhancing staffing and programs at these critical law enforcement agencies, it is highly unlikely that any of these proposed rescissions will be approved by the Committee. All three of the proposed rescissions address specific programmatic funding increases that were approved by the Committee for fiscal year 1987 and which are crucial to maintaining current staffing levels at all three agencies. Therefore, the Committee has assumed in its views and estimates that none of the three proposed rescissions will be approved.

Finally, on February 6, 1987, the President submitted a budget amendment for fiscal year 1988 that would in essence defer or postpone $32,099,000 in the U.S. Customs Service's "Operation and Maintenance Air Interdiction Program" account from fiscal year 1987 into fiscal year 1988. Again, this proposal would, if approved, vitiate specifically approved drug interdiction initiatives in the Customs Service's air interdiction program and will undoubtedly be rejected by the Committee. The chairman of the Treasury, Postal Service, and General Government Subcommittee has indicated his total opposition to this proposal in a letter to the Secretary of the Treasury on February 12, 1987.

Therefore, the Committee has assumed in its views and estimates that the Customs "Operation and Maintenance Air Interdiction Program" account will remain in tact at the enacted level for fiscal year 1987 with no deferrals, postponements, or delays of funding from the current fiscal year into fiscal year 1988.

CUSTOMS USER FEES

The Committee notes that Public Law 99–509, the Omnibus Reconciliation Act of 1986 [OBRA] provides for the collection of a new Customs ad valorem or merchandise processing user fee effective December 1, 1986. This statute also provides that the proceeds of such fees be deposited in a dedicated account, that is, the Customs user fee account, within the general fund of the Treasury and only be available, subject to appropriation, for salaries and expenses incurred by the Customs Service in conducting commercial operations. In the statement of managers accompanying OBRA, the conferees reiterated the fact that "all customs user fees, whether derived from merchandise or other wise * * * are to be used exclusively to reimburse the Customs Service appropriation." In recognition of U.S. obligations under GATT, the conferees further noted that "a necessary corollary to the imposition of a merchandise user fee is adequate and expeditious customs processing of such merchandise."

The President's budget requests that $499,198,000 for Customs' commercial activities in fiscal year 1988 be derived from the Customs user fee account pursuant to Public Law 99–509. OMB currently estimates receipts from the ad valorem fees at $417,000,000 in fiscal year 1987 and $387,000,000 in fiscal year 1988, making a total of $804,000,000 available for appropriation. In addition, the administration is proposing legislation to end the current exemption for articles classifiable under items in schedule 8 of the Tariff Schedules for such fees, that is, imports with American-made components. OMB estimates an additional $181,000,000 in receipts from this proposal.

These Customs user fee receipts are reflected in the President's budget on the revenue side, as offsetting receipts. As such, they do not directly offset the appropriation totals. The Committee is also aware that such receipt estimates may be optimistic in that they are vulnerable to such underlying assumptions as the volume and price of imports and the percent of merchandise imports exempted.

Regardless of whether Customs commercial operations are provided through user fees or direct appropriations or a mixture of both, the Committee strongly believes that the commercial activities of the Customs Service should be substantially enhanced in fiscal year 1988. Therefore, incorporated in the Committee's aggregate estimates for fiscal year 1988—both at the low-estimate level and the high-estimate level—is an assumption that Customs commercial operations and staffing will be substantially increased over the President's budget request. The legislative history of the user fee statutes, coupled with the prospects for passage of major trade legislation, make it incumbent upon Customs, the Committee and the Congress to provide enhanced, more efficient services to the domestic and international commercial trade community.

FEDERAL EMPLOYEE RETIREMENT SYSTEM COSTS

Under Public Law 99-335, a new Federal Employees Retirement System [FERS] was established which, among other things, significantly increased costs to the employer agencies of the Federal Government. One of the principal objectives of the new retirement system was to develop an actuarially sound, pay-as-you-go retirement plan that would not result in large unfunded liabilities in the outyears of the program. The result of the enabling legislation was to force individual employer agencies to estimate their FERS contributions, based on the number and mix of their employees on-board and those scheduled for hire.

By the Office of Management and Budget's own admission, at least the first full year of the new FERS program will be one of trial and error in actually estimating the number of Federal employees who will become FERS beneficiaries automatically or by choice. Misestimates of the actual FERS contributions that must be made by the employer agencies could mean significant shortfalls in appropriations to cover these mandatory costs.

The subcommittee notes that although OMB has assumed full FERS contributions for the employees proposed in the President's budget request, a serious underestimation of the FERS contribution requirements for the agencies covered by the Treasury, Postal Service Subcommittee could result in substantial supplemental FERS requirements in fiscal year 1988.

LEGISLATIVE PROPOSALS FOR LATER TRANSMITTAL

The President has proposed in his fiscal year 1988 budget several legislative proposals for later transmittal to Congress, which could, if enacted, have a significant effect on funding for certain specific agency budgets covered by the subcommittee.

The following reflects those legislative proposals and the President's estimate of the resultant fiscal year 1988 cost effect on agency budgets:

Federal Financing Bank: Administrative expenses.—Would provide direct appropriations to cover the administrative expenses of the Federal Financing Bank, whereas in prior years such payments were financed on a reimbursable basis: +$2,000,000.

GSA: Federal Supply Service, operating expenses.—Would authorize full cost recovery for all management, operation, and overhead expenses of the Federal Supply Service to be financed in the prices charged for goods and services provided to other agencies: −$176,749,000.

GSA: Expenses of transportation audit contracts and contract administration.—Would expand current authorities to authorize noncontract transportation audit activities to be funded in this account instead of the "Operating expenses, Federal Supply Service direct appropriation" account. These costs would be financed from overcharges collected from carriers on transportation bills paid by the Government and other similar type refunds: +$7,588,000.

Office of Personnel Management [OPM]: Government payment for annuitants, employees, health benefits.—Would revise the method for calculating Government contributions under the Federal Employees Health Benefits Program and to assign appropriate financing of annuitants health benefit costs to the government of the District of Columbia and the U.S. Postal Service: −$501,940,000.

OPM: Payment to the civil service retirement and disability fund.—(*a*) A reduction in interest on the fund's unfunded liability and a reduction in annuity disbursements attributable to military service would be achieved through legislative proposals pertaining to the civil service retirement and disability fund: −$11,701,000; and

(*b*) A legislative proposal to (1) provide COLA's at the percentage change in the Consumer Price Index [CPI] minus 1 percent, unless the CPI falls below 3 percent, in which case the cost-of-living adjustment [COLA] would be the lesser of the actual CPI increase or 2 percent; (2) amend the Federal Employee's Retirement System Act of 1986 (Public Law 99-335) to eliminate the lump sum distribution of CSRS and FERS retirement contributions, and (3) phase in increased Postal Service and D.C. government contributions to cover the dynamic normal cost of CSRS retirement benefits: +$88,810,000.

In developing its low and high estimates for fiscal year 1988, the subcommittee did not assume that any of these legislative proposals would be enacted and thus affect the various appropriation accounts in the manner outlined above. All of the legislative proposals are controlled by committees of the Congress other than the Appropriations Committee which has no control over the specific legislation proposed by the President. It would be putting an unfair burden on the subcommittee and the full Appropriations Committee to make assumptions regarding legislative proposals that may or may not pass during the course of the calendar year, particularly since they are outside of the Committee's jurisdiction.

Should any of these legislative proposals be enacted during the course of the year, adjustments will have to be made in the subcommittee's budget allocations, including its 302(b) allocations, to accommodate the effect of such legislation. Failure to make room for the legislative proposals that will trigger a requirement for additional budget authority in fiscal year 1988, could seriously damage programs and activities in other agencies, commissions, boards, and offices under the jurisdiction of this subcommittee.

LOW ESTIMATES

The Committee's low or floor estimate would constitute the CBO baseline for all agencies, programs, and activities under the jurisdiction of the Treasury, Postal Service Subcommittee.

Therefore, the minimum, or floor estimate required by the Committee for the agencies and programs of the Treasury, Postal Service Subcommittee is $14,900,000,000 in new budget authority and $14,800,000,000 in outlays.

At this level of appropriations for fiscal year 1988, where the CBO baseline level, including an inflation allowance, is assumed for each agency, board, commission, and office under the subcommittee's jurisdiction, there would be significant program disruptions in several critical agencies. For example, holding the Internal Revenue Service [IRS] accounts to CBO baseline levels would effectively cut the President's proposed fiscal 1988 IRS enhancement effort by more than 50 percent. By reducing the President's budget request to the CBO baseline level, funding in the three major IRS operational accounts would be cut by $464,000,000 below the President's request. At a time when it is important to increase our revenue base without new taxes, a reduction in IRS staffing could significantly reduce the estimated $2,400,000,000 in additional revenue assumed in the President's budget.

Another important agency that would suffer significant staffing and program cutbacks if held to the CBO baseline level is the U.S. Secret Service. The CBO baseline level for Secret Service would mean substantial personnel and program cutbacks on the eve of a Presidential election campaign that could prompt as many as 16 candidates to request Secret Service protection. This personnel-intensive agency has been forced to make significant reductions in its operations and to postpone long-overdue improvements over the past several years. For example, efforts to improve the Service's voice privacy systems have been sharply reduced under the President's budget request level. The CBO baseline level for Secret Service would cut the President's request by $13,000,000. These reductions, at a time when the mission of the Service is expanding are unacceptable to the subcommittee.

Finally, two important administrative agencies within the Treasury Department would be faced with significant cuts below the President's budget request if the CBO baseline level is ultimately provided to the Bureau of the Public Debt and the Financial Management Service. These agencies have a direct impact on the delivery of Federal beneficiary services and the administrative services of the Federal Government and to those receiving Federal benefits and pay. Holding these agencies to the CBO baseline level in fiscal 1988 would have serious consequences in the Department's ability to deliver essential Government services.

HIGH ESTIMATES

The subcommittee has also prepared a more realistic estimate of what will actually be required to fund the various agencies and programs under the subcommittee's jurisdiction, and what will most likely ultimately be adopted by the Congress for these purposes.

The subcommittee estimates that a total of $15,500,000,000 in new budget authority and $15,600,000,000 in outlays will be required to adequately fund the important agencies and programs under the subcommittee's control. This level of funding assumes adoption of the President's budget request for most agencies, plus significant enhancements at the Postal Service and four critical law enforcement agencies: the U.S. Customs Service, the Federal Law Enforcement Training Center, the Bureau of Alcohol, Tobacco and Firearms, and the U.S. Secret Service.

This level of funding would allow the Federal Treasury to reap the benefit of the President's proposed revenue initiative within the Internal Revenue Service in fiscal year 1988. This effort to bring in more revenue to the Treasury and reduce the deficit is absolutely essential if we are to meet the deficit reduction targets imposed by current budget law. Specifically, approval of the increases recommended by the President for the IRS could result in an additional $2,400,000,000 in new revenue next year.

The funding enhancements envisioned by the subcommittee in preparing these views and estimates would also allow one of our most important revenue and drug enforcement agencies, the Customs Service, to bolster staffing and improve activities within its commercial operations program. An enhanced level of appropriations for the Customs Service would also allow this critical drug interdiction agency to maintain the antidrug momentum initiated in the Antidrug Abuse Act of 1986 (Public Law 99-570) by providing more drug enforcement officers along the southwest border as part of the President's Operation Alliance; more air interdiction resources to combat the airborne narcotics trafficker along the entire southern U.S. borders; and continuation of a 3-year effort to bring on-line sophisticated command, control, and intelligence capability on strategic locations around the country.

The enhancement level of appropriations proposed by the subcommittee would also allow badly needed infusions of new law enforcement and support personnel at the Secret Service, BATF, and the Federal Law Enforcement Training Center. All three agencies have shouldered an inordinate fiscal burden during the initial years of the Gramm-Rudman-Hollings deficit reduction legislation and should be provided with an adequate level of resources to allow them to perform their difficult and dangerous jobs. The enhanced aggregate spending level proposed by the subcommittee will allow such improvements and increases.

Finally, the so-called high estimate proposed by the subcommittee would allow the U.S. Postal Service to maintain current postal rates for preferred rate mailers, including veterans groups; charities; in-county publications; and other nonprofit mailing groups who rely on the revenue forgone subsidy to conduct their important programs. The subcommittee is assuming an increase of $595,000,000 over and above the President's budget request—a request which covers only free and reduced rate mail for the blind and previous nonfunded liabilities of the old Post Office Department. The Committee on Appropriations has a long history of supporting adequate funding for the Postal Service subsidies—subsidies that will undoubtedly be maintained in fiscal year 1988 as they have in the past. The subcommittee assumes that, at the very least, sufficient funding will be provided to maintain existing preferred rates throughout fiscal year 1988.

CONCLUSION

The subcommittee wishes to emphasize that the Treasury, Postal Service, and General Government appropriation bill for fiscal year 1988 will fund three of the major revenue-raising agencies in the Federal Government: the Internal Revenue Service; the U.S. Customs Service; and the Bureau of Alcohol, Tobacco and Firearms. It also funds two agencies within the Treasury Department that have a direct impact on both the credit programs of the Federal Government (Financial Management Service) and the primary Federal payment disbursement mission of the Federal Government (Bureau of the Public Debt). The Internal Revenue Service will collect $838,000,000,000 in fiscal year 1988, including $48,200,000,000 that is the direct result of IRS enforcement actions beyond the normal compliance by taxpayers. The Customs Service will collect $15,300,000,000 in customs duties in fiscal year 1988, while the Bureau of Alcohol, Tobacco and Firearms will bring another $10,000,000,000 into the Treasury as a result of their responsibilities next year. Combined, these three agencies alone account for 94 percent of all Federal receipts into the Treasury every year.

Therefore, any efforts to reduce or fail to provide an adequate level of funding for these crucial revenue agencies will jeopardize the ongoing revenue-raising program of the Federal Government.

The subcommittee is cognizant of the fact that traditionally the Budget Committee has given great weight to the baseline budget estimates developed by the Congressional Budget Office and used such estimates as a ceiling from which reductions can be made. The subcommittee believes that the CBO baseline should be only one of the tools used by the Budget Committee in analyzing the views and estimates of the Appropriations Committee and not be viewed as a spending ceiling.

The subcommittee has carefully examined the CBO baseline estimates; the President's budget request; the CBO reestimate of the President's budget request; and as much of the detailed budget justifications as possible prior to a more thorough analysis of the detailed justifications during the formal hearing process. The subcommittee has prepared its range of estimates with the understanding that the Budget Committee will not consider its so-called low estimate as a ceiling and that a full range of spending options will be considered by the Budget Committee during its preparation of the concurrent resolution on the budget.

O

SAM NUNN, GEORGIA, CHAIRMAN

JOHN C. STENNIS, MISSISSIPPI
J. JAMES EXON, NEBRASKA
CARL LEVIN, MICHIGAN
EDWARD M. KENNEDY, MASSACHUSETTS
JEFF BINGAMAN, NEW MEXICO
ALAN J. DIXON, ILLINOIS
JOHN GLENN, OHIO
ALBERT GORE, JR., TENNESSEE
TIMOTHY E. WIRTH, COLORADO
RICHARD C. SHELBY, ALABAMA

JOHN W. WARNER, VIRGINIA
STROM THURMOND, SOUTH CAROLINA
GORDON J. HUMPHREY, NEW HAMPSHIRE
WILLIAM S. COHEN, MAINE
DAN QUAYLE, INDIANA
PETE WILSON, CALIFORNIA
PHIL GRAMM, TEXAS
STEVEN D. SYMMS, IDAHO
JOHN McCAIN, ARIZONA

ARNOLD L. PUNARO, STAFF DIRECTOR
CARL M. SMITH, STAFF DIRECTOR FOR THE MINORITY

United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

February 24, 1987

Honorable Lawton Chiles
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton and Pete:

In accordance with the provisions of Section 301(d) of the Congressional Budget Act, I am forwarding the recommendation of the Committee on Armed Services for the National Defense Function (050) for FY1988.

As you know, the President's FY1988 budget includes $312.0 billion in budget authority and $297.6 billion in outlays for the National Defense function. The Armed Services Committee supports the overall level of spending proposed by the President for National Defense for FY1988. However, I believe I speak for a majority of our Members when I point out the following caveats:

1. The Committee's recommendation is based on what we believe is a justifiable level of spending for National Defense. It is not based on a comprehensive review of how the FY1988 Defense budget might fit into the overall context of a Budget Resolution that conforms to the Gramm-Rudman deficit target.

2. The Congressional Budget Office estimates that the deficit in the President's FY1988 Budget is $134 billion, $27 billion above the Gramm-Rudman deficit target. If CBO is correct and the President's budget request for FY1988 fails to meet the Gramm-Rudman deficit target, I understand the almost impossible job the Budget Committee faces in reducing the President's deficit by $27 billion while preserving his proposed Defense funding level.

3. The Committee is recommending a National Defense spending level only for fiscal year 1988 because the President's FY1988 Budget fails to meet the Gramm-Rudman deficit targets after FY1988. The Defense Department submitted a credible two-year

SAM NUNN, GEORGIA, CHAIRMAN

JOHN C. STENNIS, MISSISSIPPI
J. JAMES EXON, NEBRASKA
CARL LEVIN, MICHIGAN
EDWARD M. KENNEDY, MASSACHUSETTS
JEFF BINGAMAN, NEW MEXICO
ALAN J. DIXON, ILLINOIS
JOHN GLENN, OHIO
ALBERT GORE, JR., TENNESSEE
TIMOTHY E. WIRTH, COLORADO
RICHARD C. SHELBY, ALABAMA

JOHN W. WARNER, VIRGINIA
STROM THURMOND, SOUTH CAROLINA
GORDON J. HUMPHREY, NEW HAMPSHIRE
WILLIAM S. COHEN, MAINE
DAN QUAYLE, INDIANA
PETE WILSON, CALIFORNIA
PHIL GRAMM, TEXAS
STEVEN D. SYMMS, IDAHO
JOHN McCAIN, ARIZONA

ARNOLD L. PUNARO, STAFF DIRECTOR
CARL M. SMITH, STAFF DIRECTOR FOR THE MINORITY

United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

February 24, 1987

Honorable Lawton Chiles,
  Chairman
Honorable Pete V. Domenici,
  Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C.

Dear Pete and Lawton:

The Republican Members of the Senate Committee on Armed Services strongly support the President's FY 1988 defense budget request. This morning, our Committee voted 18 to 2 to recommend defense funding levels of $312 billion in budget authority and $297.6 billion in outlays.

In our opinion, the President's request for defense is both credible and restrained. Having sustained two consecutive years of real declines in defense spending, it is imperative that this trend be reversed. Over the past several years, we have made substantial progress toward restoring our nation's military capabilities. The modernization of our Army is one-third complete, we are well on our way to achieving the goal of a 600-ship Navy, and the quality of our military personnel is at an all-time high. We should not allow these and other gains to be sacrificed by an unwillingness to recognize the need for a continuing and stable defense program.

I understand the difficulties your Committee faces in formulating a bipartisan budget which will reduce the projected deficit while providing adequately for our national defense and other important government programs. It is essential that we work together in achieving an early agreement on the funding levels in the budget resolution, and I urge you to call on me and my Armed Services Committee colleagues for any assistance we may provide in this effort.

Sincerely,

John

John Warner
Ranking Minority Member

budget for FY1988 and FY1989 as part of its FY1988-1992 Five Year Defense Plan. Our Committee strongly supports the concept of shifting to a two-year budget. Unfortunately, the President has not told Congress how he plans to pay for his proposed level of defense spending after FY1988 within the Gramm-Rudman deficit targets, making our job of recommending and adopting a two-year defense budget extremely difficult.

4. In endorsing the level of Defense spending proposed by the President for FY1988, the Committee is not endorsing the details of the President's Defense budget. Many members of the Committee believe the priorities of the FY1988 Defense budget are seriously out of balance. For example, the budget proposes to start a number of new weapons programs at the same time it increases the inefficiency of the production rates of many weapons programs currently in production.

In closing, I would like to emphasize the important relationship between budget authority and outlays in the National Defense function. Last year, the relatively high ratio of budget authority to outlay reductions in the National Defense function required by the FY1987 Budget Resolution forced the Congress to choose between reducing more budget authority than required by the Budget Resolution targets in order to achieve the required outlay reductions; reducing the faster-spending readiness and personnel accounts disproportionately; or using budgetary gimmicks.

This year, I strongly recommend that the first year outlay rate of any adjustments in the level of National Defense budget authority be set at 38-45%. This will leave the decision of the appropriate mix of any adjustments to the FY1988 Defense budget to the Armed Services and Appropriations Committees.

We look forward to working with you on the Budget Resolution in the weeks ahead.

Sincerely,

Sam

Sam Nunn
Chairman

WILLIAM PROXMIRE, WISCONSIN, CHAIRMAN

ALAN CRANSTON, CALIFORNIA
DONALD W. RIEGLE, JR., MICHIGAN
PAUL S. SARBANES, MARYLAND
CHRISTOPHER J. DODD, CONNECTICUT
ALAN J. DIXON, ILLINOIS
JIM SASSER, TENNESSEE
TERRY SANFORD, NORTH CAROLINA
RICHARD C. SHELBY, ALABAMA
ROBERT GRAHAM, FLORIDA

JAKE GARN, UTAH
JOHN HEINZ, PENNSYLVANIA
WILLIAM L. ARMSTRONG, COLORADO
ALFONSE M. D'AMATO, NEW YORK
CHIC HECHT, NEVADA
PHIL GRAMM, TEXAS
CHRISTOPHER S. BOND, MISSOURI
JOHN H. CHAFEE, RHODE ISLAND

KENNETH A. McLEAN, STAFF DIRECTOR
M. DANNY WALL, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

February 25, 1987

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Pete V. Domenici
Ranking Minority member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton and Pete:

This letter transmits the views and estimates of the Committee on Banking, Housing and Urban Affairs regarding funding of programs in our jurisdiction, as required by the amended section 301 of the Congressional Budget Act of 1974.

Members of the Committee are deeply concerned by the continuing size of the Federal deficit and intend to apply rigorous tests of program effectiveness and efficiency to programs during the authorization process. We note that programs within the jurisdiction of the Banking Committee have already been reduced more deeply than any other comparable area of the federal budget. Since 1980, while total federal budget authority has risen by 62%, budget authority for housing and community development programs has dropped by 54% to 70%.

On February 4, 1987, the Senate passed the Urban Mass Transportation Authorization Act of 1987, which would extend authorizations for federal mass transit programs through fiscal year 1990 at the current levels. If fully funded, the bill would provide funding as shown in Attachment A.

On March 3, 1987, the Committee will consider authorization legislation for housing and community development programs. We anticipate that the Committee will order reported a bill that in general would extend authorizations for existing programs through fiscal year 1989 at current funding levels, without adjustment

February 25, 1987
Page 2

for inflation. We expect the bill to include a prohibition against so-called "user fees" on Fannie Mae, Freddie Mac and Ginny Mae. The amounts shown in Attachment B would provide a reduction below the Congressional Budget Office baseline projections of about $1.8 billion in budget authority and $298 million in outlays over the two year period.

The Committee also expects to act on portions of a bipartisan package of assistance to homeless Americans, the budgetary impact of which cannot be estimated at this time.

We trust that this information is helpful to the Budget Committee as it prepares the Concurrent Resolution on the Budget for fiscal year 1988. We look forward to working with you during this Congress.

Sincerely,

Bill Proxmire
William Proxmire
Chairman

Jake Garn
Jake Garn
Ranking Minority Member

Attachment A

BUDGETARY IMPACT OF THE URBAN MASS TRANSPORTATION AUTHORIZATION ACT OF 1987

[By fiscal year, in millions of dollars]

	1987	1988	1989	1990	1991	1992
		DIRECT SPENDING FROM TRUST FUND				
Budget authority:						
Discretionary grants (sections 3, 8, 4(i), and 16(b))	1,003	1,000	1,000	1,000		
University transportation centers	6	6	6	6	6	
Additional use of trust fund revenues:						
Discretionary grants		1	1	1		
Formula grants		2	2	2		
Total budget authority	1,009	1,009	1,009	1,009	6	
Outlays:						
Estimated total outlays [1]	790	980	1,030	1,030	1,000	820
Estimated change in outlays relative to current law	50	190	450	710	860	800
		AUTHORIZATIONS OF APPROPRIATIONS				
Authorization level:						
Substitute projects	200	200	200	200		
Sections 9 and 18 formula grants	2,000	2,000	2,000	2,000		
Research and administration	48	50	50	50		
Total authorizations	2,248	2,250	2,250	2,250		
Less: Appropriations to date	2,248					
Net additional authorizations		2,250	2,250	2,250		
Outlays:						
Estimated total outlays [1]	2,240	2,290	2,330	2,390	1,630	1,250
Estimated change in outlays relative to current law		840	1,270	1,660	1,250	1,340

[1] Including outlays from authority available before fiscal year 1987.

Banking Housing and Urban Affairs 02/25/87

Attachment B

ESTIMATED BUDGETARY IMPACTS OF AUTHORIZATION FREEZE
PROVIDED BY
SENATE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1987

Account			(fiscal years: $ millions) 1987	1988	1989
Rural housing insurance fund					
	Baseline	BA:	3,996.3	3,696.1	4,710.7
		OT:	2,013.6	3,610.0	3,641.3
	Freeze	BA:	3,996.3	3,589.0	4,491.0
		OT:	2,013.6	3,561.0	3,502.0
	Dif	BA:	0.0	(107.1)	(219.7)
		OT:	0.0	(49.0)	(139.3)
Rural housing voucher program					
	Baseline	BA:	0.0	0.0	0.0
		OT:	14.1	18.7	19.7
	Freeze	BA:	0.0	0.0	0.0
		OT:	14.1	18.7	19.7
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Rural housing for domestic farm labor					
	Baseline	BA:	9.5	10.0	10.5
		OT:	10.5	10.9	10.9
	Freeze	BA:	9.5	9.5	9.5
		OT:	10.5	10.9	10.7
	Dif	BA:	0.0	(0.5)	(1.0)
		OT:	0.0	0.0	(0.2)
Mutual and self-help housing					
	Baseline	BA:	8.0	8.4	8.8
		OT:	6.5	8.8	8.0
	Freeze	BA:	8.0	8.0	8.0
		OT:	6.5	8.8	7.8
	Dif	BA:	0.0	(0.4)	(0.8)
		OT:	0.0	0.0	(0.2

Account			(fiscal years; $ millions)		
			1987	1988	1989
Very low income housing repair grants					
	Baseline	BA:	12.5	13.1	13.7
		OT:	13.8	13.1	13.7
	Freeze	BA:	12.5	12.5	12.5
		OT:	13.8	12.5	12.5
	Dif	BA:	0.0	(0.6)	(1.2)
		OT:	0.0	(0.6)	(1.2)
Rural housing preservation grants					
	Baseline	BA:	19.1	20.1	21.0
		OT:	23.9	19.4	20.3
	Freeze	BA:	19.1	19.1	19.1
		OT:	23.9	19.1	19.1
	Dif	BA:	0.0	(1.0)	(1.9)
		OT:	0.0	(0.3)	(1.2)
Compensation for construction defects					
	Baseline	BA:	0.7	0.7	0.8
		OT:	0.7	0.7	0.8
	Freeze	BA:	0.7	0.7	0.7
		OT:	0.7	0.7	0.7
	Dif	BA:	0.0	0.0	(0.1)
		OT:	0.0	0.0	(0.1)
Self-help housing land development fund					
	Baseline	BA:	0.0	0.0	0.0
		OT:	0.3	0.0	0.0
	Freeze	BA:	0.0	0.0	0.0
		OT:	0.3	0.0	0.0
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0

Banking Housing and Urban Affairs 02/25/87

Account			(fiscal years; $ millions) 1987	1988	1989
Subsidized housing programs (Sec 8 & LRPH)					
	Baseline	BA:	7,506.1	7,813.5	8,127.5
		OT:	9,562.6	10,288.3	12,351.9
	Freeze	BA:	7,506.1	7,506.1	7,506.1
		OT:	9,562.6	10,287.8	12,336.4
	Dif	BA:	0.0	(307.4)	(621.4)
		OT:	0.0	(0.5)	(15.5)
Payments for operation of low income housing					
	Baseline	BA:	1,350.0	1,583.0	1,650.0
		OT:	1,373.0	1,553.0	1,617.0
	Committee print	BA:	1,350.0	1,600.0	1,600.0
		OT:	1,373.0	1,561.6	1,600.0
	Dif	BA:	0.0	17.0	(50.0)
		OT:	0.0	8.6	(17.0)
Housing for the elderly or handicapped fund					
	Baseline	BA:	508.9	608.0	551.3
		OT:	523.2	558.9	522.8
	Freeze	BA:	508.9	579.0	494.1
		OT:	523.2	558.9	517.6
	Dif	BA:	0.0	(29.0)	(57.2)
		OT:	0.0	0.0	(5.2)
Congregate services program					
	Baseline	BA:	3.4	3.6	3.7
		OT:	4.1	4.2	3.2
	Freeze	BA:	3.4	3.4	3.4
		OT:	4.1	4.2	3.2
	Dif	BA:	0.0	(0.2)	(0.3)
		OT:	0.0	0.0	0.0

Account			(fiscal years; $ millions) 1987	1988	1989
Troubled projects operating subsidy					
	Baseline	BA:	0.0	0.0	50.0
		OT:	5.3	45.9	47.9
	Freeze	BA:	0.0	0.0	50.0
		OT:	5.3	45.9	47.9
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Low-rent public housing--loans and other expenses					
	Baseline	BA:	1,828.9	1,552.2	846.3
		OT:	1,872.1	1,604.9	917.6
	Freeze	BA:	1,828.9	1,552.2	846.3
		OT:	1,872.1	1,604.9	917.6
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Shelter programs (HUD)					
	Baseline	BA:	15.0	15.7	16.5
		OT:	7.6	12.3	13.6
	Freeze	BA:	15.0	15.0	15.0
		OT:	7.6	11.8	12.6
	Dif	BA:	0.0	(0.7)	(1.5)
		OT:	0.0	(0.5)	(1.0)
Federal Housing Administration fund					
	Baseline	BA:	65.2	181.0	713.3
		OT:	(2,317.0)	(2,106.9)	(1,866.3)
	Freeze	BA:	65.2	181.0	713.3
		OT:	(2,317.0)	(2,106.9)	(1,866.3)
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0

Account			(fiscal years; $ millions)		
			1987	1988	1989
Rental housing assistance fund					
	Baseline	BA:	0.0	0.0	0.0
		OT:	33.9	(50.0)	(50.0)
	Freeze	BA:	0.0	0.0	0.0
		OT:	33.9	(50.0)	(50.0)
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Nonprofit sponsor assistance					
	Baseline	BA:	0.0	0.0	0.0
		OT:	(0.3)	(0.7)	(0.5)
	Freeze	BA:	0.0	0.0	0.0
		OT:	(0.3)	(0.7)	(0.5)
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Guarantees of mortgage-backed securities					
	Baseline	BA:	0.0	0.0	0.0
		OT:	(327.3)	(413.4)	(483.7)
	Freeze	BA:	0.0	0.0	0.0
		OT:	(327.3)	(413.4)	(483.7)
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Management and liquidating functions fund (GNMA)					
	Baseline	BA:	0.0	0.0	0.0
		OT:	(351.2)	(154.9)	(5.9)
	Freeze	BA:	0.0	0.0	0.0
		OT:	(351.2)	(154.9)	(5.9)
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0

Account			(fiscal years; $ millions) 1987	1988	1989
Participation sales fund (Mortgage credit)					
	Baseline	BA:	0.0	0.0	0.0
		OT:	(21.9)	212.5	0.0
	Freeze	BA:	0.0	0.0	0.0
		OT:	(21.9)	212.5	0.0
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Fair housing assistance					
	Baseline	BA:	6.3	6.7	7.0
		OT:	7.2	8.3	6.5
	Freeze	BA:	6.3	6.5	6.5
		OT:	7.2	8.3	6.4
	Dif	BA:	0.0	(0.2)	(0.5)
		OT:	0.0	0.0	(0.1)
Community development grants					
	Baseline	BA:	3,000.0	3,114.7	3,237.8
		OT:	3,271.2	2,984.1	2,969.6
	Freeze	BA:	3,000.0	3,000.0	3,000.0
		OT:	3,271.2	2,981.8	2,921.2
	Dif	BA:	0.0	(114.7)	(237.8)
		OT:	0.0	(2.3)	(48.4)
Urban development action grants					
	Baseline	BA:	225.0	234.3	243.8
		OT:	469.1	444.3	392.2
	Freeze	BA:	225.0	225.0	225.0
		OT:	469.1	443.8	389.4
	Dif	BA:	0.0	(9.3)	(18.8)
		OT:	0.0	(0.5)	(2.8)

Account			(fiscal years; $ millions) 1987	1988	1989
HoDAG and Rental rehab					
	Baseline	BA:	319.6	310.4	323.0
		OT:	298.3	299.7	376.8
	Freeze	BA:	319.6	299.6	299.6
		OT:	298.3	299.0	373.4
	Dif	BA:	0.0	(10.3)	(23.4)
		OT:	0.0	(0.7)	(3.4)
Housing counseling assistance					
	Baseline	BA:	3.5	3.7	3.8
		OT:	3.5	3.5	3.6
	Freeze	BA:	3.5	3.5	3.5
		OT:	3.5	3.5	3.5
	Dif	BA:	0.0	(0.2)	(0.3)
		OT:	0.0	0.0	(0.1)
Urban homesteading					
	Baseline	BA:	12.0	12.6	13.2
		OT:	11.8	12.4	13.0
	Freeze	BA:	12.0	12.0	12.0
		OT:	11.8	12.0	12.0
	Dif	BA:	0.0	(0.6)	(1.2)
		OT:	0.0	(0.4)	(1.0)
Rehabilitation loan fund					
	Baseline	BA:	0.0	0.0	0.0
		OT:	3.0	3.8	4.7
	Freeze	BA:	0.0	0.0	0.0
		OT:	3.0	3.8	4.7
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0

			(fiscal years; $ millions)		
Account			1987	1988	1989
Payment to the Neighborhood Reinvestment Corporation					
	Baseline	BA:	19.0	19.9	20.9
		OT:	19.0	19.9	20.9
	Freeze	BA:	19.0	19.0	19.0
		OT:	19.0	19.0	19.0
	Dif	BA:	0.0	(0.9)	(1.9)
		OT:	0.0	(0.9)	(1.9)
Research and technology					
	Baseline	BA:	17.0	17.8	18.8
		OT:	17.7	17.7	17.9
	Freeze	BA:	17.0	17.0	17.0
		OT:	17.7	17.5	17.0
	Dif	BA:	0.0	(0.8)	(1.8)
		OT:	0.0	(0.2)	(0.9)
National insurance development fund					
	Baseline	BA:	14.2	14.5	0.0
		OT:	15.7	15.5	3.1
	Freeze	BA:	14.2	14.5	0.0
		OT:	15.7	15.5	3.1
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
Emergency food distribution and shelter (FEMA)					
	Baseline	BA:	70.0	72.6	75.5
		OT:	70.0	72.6	75.5
	Freeze	BA:	70.0	70.0	70.0
		OT:	70.0	70.0	70.0
	Dif	BA:	0.0	(2.6)	(5.5)
		OT:	0.0	(2.6)	(5.5)

Account			(fiscal years; $ millions) 1987	1988	1989
Flood studies and surveys					
	Baseline	BA:	36.4	37.8	39.3
		OT:	41.9	39.2	39.0
	Freeze	BA:	36.4	36.4	36.4
		OT:	41.9	38.5	37.1
	Dif	BA:	0.0	(1.4)	(2.9)
		OT:	0.0	(0.7)	(1.9)
Flood insurance					
	Baseline	BA:	16.6	18.0	19.4
		OT:	(1.7)	16.8	18.2
	Freeze	BA:	16.6	18.0	19.4
		OT:	(1.7)	16.8	18.2
	Dif	BA:	0.0	0.0	0.0
		OT:	0.0	0.0	0.0
TOTAL					
	Baseline	BA:	19,063.2	19,368.4	20,726.6
		OT:	16,674.2	19,173.5	20,723.3
	Freeze	BA:	19,063.2	18,797.0	19,477.4
		OT:	16,674.2	19,122.9	20,476.4
	Dif	BA:	0.0	(571.4)	(1,249.2)
		OT:	0.0	(50.6)	(246.9)

ERNEST F. HOLLINGS, SOUTH CAROLINA, CHAIRMAN

DANIEL K. INOUYE, HAWAII
WENDELL H. FORD, KENTUCKY
DONALD W. RIEGLE, JR., MICHIGAN
J. JAMES EXON, NEBRASKA
ALBERT GORE, JR., TENNESSEE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
LLOYD BENTSEN, TEXAS
JOHN F. KERRY, MASSACHUSETTS
JOHN B. BREAUX, LOUISIANA
BROCK ADAMS, WASHINGTON

JOHN C. DANFORTH, MISSOURI
BOB PACKWOOD, OREGON
NANCY LANDON KASSEBAUM, KANSAS
LARRY PRESSLER, SOUTH DAKOTA
TED STEVENS, ALASKA
BOB KASTEN, WISCONSIN
PAUL S. TRIBLE, JR., VIRGINIA
PETE WILSON, CALIFORNIA
JOHN McCAIN, ARIZONA

RALPH B. EVERETT, CHIEF COUNSEL AND STAFF DIRECTOR
W. ALLEN MOORE, MINORITY CHIEF OF STAFF

United States Senate
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION
WASHINGTON, DC 20510-6125

February 24, 1987

The Honorable Lawton Chiles, Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Lawton:

Enclosed please find the "views and estimates" of the FY 1988 spending levels for programs and agencies under the jurisdiction of the Committee on Commerce, Science, and Transportation.

Per your request, we have provided figures for only those line items in which we anticipate either significant new spending or potential savings.

In summary, we anticipate the need for an additional $3.073 billion over the FY 1988 Congressional Budget Office "baseline" figure for our agencies and programs. The lion's share of the increase would fund critical safety improvements to the nation's air transportation system and increased activities of the National Aeronautics and Space Agency (NASA) and the National Science Foundation (NSF). Further information regarding these proposed increases is included in the enclosed Narrative Statement on Recommended Spending Levels.

In the way of savings, we are proposing a total of $33 million in FY 1988 in the form of savings from the Coast Guard's Acquisition, Construction, and Improvements account.

This report is intended to give you the Committee's best current estimate of our anticipated needs. Of course, we will continue to study other options for new spending and deficit reduction in the coming weeks.

I look forward to assisting you in any way as we work toward the development of a Congressional Budget Resolution for 1988.

With kindest regards, I am

Sincerely,

Fritz Hollings

ERNEST F. HOLLINGS
Chairman

EFH:dsp

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

NARRATIVE STATEMENT ON RECOMMENDED SPENDING LEVELS

Major New Initiatives

Proposal A: Federal Aviation Administration (FAA) Operations and Maintenance. A significant increase is requested for the hiring of an additional 225 air traffic controllers, 178 additional safety inspectors, and 87 additional additional aviation security personnel. These figures represent the agency's 1988 funding request, with a three percent inflation factor applied over the outyears. The funds are needed to improve aviation safety.

Proposal B: FAA Airport Improvement Program. A gradually increasing level of funding is recommended to provide needed funds for safety and security projects as well as critical capacity needs at the nation's airports.

Proposal C: FAA Facilities and Equipment. An increase is needed for the purchase and installation of new air traffic control equipment consistent with the 10-year National Airspace Plan. (These increases reflect the FAA's needs as projected by the Administration for the next five years.)

Proposal D: Essential Air Service Program. The EAS program was created in response to the deregulation of the airline industry and is designed to ensure air service to almost 150 small cities. The Administration has recommended that this program be discontinued at the end of 1987, an action which would deprive these communities of access to the air transportation system. The Committee recommends that EAS be maintained at current levels. Authorizing legislation for FY 1989 and beyond will be required.

Proposal E: Washington Metropolitan Airports Improvements. A one-time expenditure of $300 million in FY 1988 for improvements to Washington National and Washington Dulles Airports. Funds would be authorized from the Airport and Airways Trust Fund for improved access and terminal development at National, and the construction of a new mid-field terminal at Dulles.

Proposal F: National Oceanic and Atmospheric Administration (NOAA) Operations, Research, and Facilities. An increase is needed to continue the agency's existing commitments and services, including funding for: the pay raise, the new retirement program, on-going satellite and weather service procurements, and restorations of certain prior year reductions. Also included is $30 million for NOAA's role in a three-agency global observation system for improving scientific understanding of such potentially disastrous climatic events as the "greenhouse effect" and depletion of the atmosphere's protective ozone layer.

Proposal G: Function 250 -- General Science, Space & Technology (See attachments for agency breakdown). Included are substantial increases for the National Aeronautics and Space Administration (NASA) and the National Science Foundation (NSF). The Committee endorses the Administration's initiative to double the NSF budget over five years, and that **this initiative will produce new basic research and the trained scientists and engineers that the nation will need in order to remain competitive in the world marketplace.**

The Committee also suggests a series of increases for NASA, in order to meet the agency's requirements for maintaining the civil space program. NASA, at this juncture, still has critical short-term funding requirements such as the procurement of expendable launch vehicles for space science payloads, a replacement Tracking and Data Relay Satellite, and initiation of the Block II program for new solid rocket boosters. NASA also requires additional funding to keep on-going programs on schedule -- Mars Observer, TOPEX, and the Orbital Maneuvering Vehicle -- and to lay the foundation for future space science and technology requirements. Finally, NASA needs a financial commitment from Congress for the development of a permanently manned space station. NASA's estimated cost of the project have increased from $8 billion to $14.5 billion. However, the White House is still reviewing the most recent NASA proposal. **It is clear that if this Nation is to retain its leadership in space, it must commit to a permanently manned space station and provide the additional resources required in the FY 1989-FY 1994 time frame.** Overall, the Committee supports an increase of $185 million for NASA compared to the President's FY 88 request.

Proposal H: Subfunction 376 -- National Bureau of Standards and the Commerce Department's Economic and Statistical Analysis division. Included are increases of $45 million to augment existing NBS programs in automated manufacturing, process and quality control, and reliability work for emerging high-technology fields. The Committee also recommends $40 million for the support of new regional centers, to be co-funded by industry and the States, to transfer new Bureau technology in manufacturing and production to U.S. companies. NBS is the one national laboratory whose purpose is to promote U.S. industrial technology and competitiveness. **Its research programs in manufacturing, quality control, and product reliability help fill crucial U.S. gaps the development of new manufacturing technologies and the transfer of those technologies to companies. These budget augmentations will do much to improve U.S. economic competitiveness**

by further remedying our nation's shortcomings in manufacturing and processing technologies.

In addition, the Committee recommends a $6 million augmentation in the Economic and Statistical Analysis division of the Department of Commerce. **Part of these funds would strengthen the ability of the Office of Productivity, Technology, and Innovation to analyze significant problems and opportunities in the areas of industrial and economic competitiveness.** The remainder of these funds would strengthen the Commerce Department's efforts under the Japanese Technical Literature Act of 1986 to collect, distribute, and analyze important Japanese technical documents.

Proposal I: Coast Guard Operating Expenses. The Administration has proposed $1.964 million in new spending authority -- compared to the CBO baseline of $1.912 million. The administration would fund $30 million of the increase with money transferred from the Boat Safety Account, and the remainder with new money. However, current law permits the transfer of only $15 million from the Boat Safety Account. Thus, the Committee recommends new budget authority of $1.949 billion in FY 1988.

Deficit Reduction Proposals

Proposal A: Coast Guard Acquisition, Construction, and Improvements. The Committee agrees with the Administration's proposed appropriation of $278 million for Coast Guard ACI, a savings of $33 million in fiscal year 1988.

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

SPENDING LEVELS

($ in billions)

	1988	1989	1990	1991	1992
BASELINE					
BA.......	21.181	21.811	22.696	23.576	24.287
O.......	21.625	22.442	23.161	23.809	24.157

I. MAJOR NEW INITIATIVES

Proposal A: FAA Operations and Maintenance

	1988	1989	1990	1991	1992
Baseline	2.389	2.438	2.492	2.530	2.566
BA	3.248	3.345	3.446	3.549	3.656
+ or -	+0.859	+0.907	+0.954	+1.019	+1.090

Proposal B: FAA Airport Improvement Program

	1988	1989	1990	1991	1992
Baseline	1.054	1.097	1.143	1.191	1.242
BA	1.100	1.300	1.500	1.700	1.800
+ or -	+0.054	+0.097	+0.357	+0.509	+0.558

Proposal C: FAA Facilities and Equipment

	1988	1989	1990	1991	1992
Baseline	0.839	0.871	0.904	0.939	0.975
BA	1.350	1.500	1.350	1.350	1.250
+ or -	+0.511	+0.629	+0.446	+0.411	+0.275

Proposal D: Essential Air Service Program

	1988	1989	1990	1991	1992
Baseline	0.00	0.00	0.00	0.00	0.00
BA	0.032	0.033	0.034	0.035	0.036
+ or -	+0.032	+0.033	+0.034	+0.035	+0.036

Proposal E: Washington Metropolitan Airports Improvements

	1988	1989	1990	1991	1992
Baseline	0.00	0.0	0.00	0.00	0.00
BA	0.300	0.00	0.00	0.00	0.00
+ or -	+0.300				

Proposal F: NOAA Operations, Research, and Facilities

	1988	1989	1990	1991	1992
Baseline	1.176	1.218	1.264	1.308	1.354
BA	1.390	1.438	1.488	1.539	1.592
+ or -	+0.168	+0.173	+0.176	+0.182	+0.188

Proposal G: Function 250 -- General Science, Space & Technology

	1988	1989	1990	1991	1992
Baseline	9.742	10.187	10.670	11.165	11.664
BA	10.717	12.689	13.962	14.949	15.787
+ or -	+0.975	+2.502	+3.292	+3.784	+4.123

(for breakdown by agency, see attachment)

	1988	1989	1990	1991	1992
Proposal H: Subfunction 376 -- NBS and ESA					
Baseline	0.131	0.135	0.138	0.143	0.146
BA	0.222	0.226	0.230	0.235	0.239
+ or -	+0.091	+0.091	+0.092	+0.092	+0.093
Proposal I: Coast Guard Operating Expenses					
Baseline	1.912	1.966	2.024	2.075	2.126
BA	1.949	2.095	2.133	2.186	2.241
+ or -	+0.037	+0.071	+0.109	+0.111	+0.115
TOTAL MAJOR NEW SPENDING					
	+3.073	+4.550	+5.508	+6.192	+6.528

II. AREAS OF SAVINGS

	1988	1989	1990	1991	1992
Proposal A: Coast Guard ACI					
Baseline	0.311	0.324	0.337	0.350	0.364
BA	0.278	0.289	0.301	0.313	0.325
+ or -	-0.033	-0.035	-0.036	-0.037	-0.039
TOTAL NEW SAVINGS					
	-0.033	-0.035	-0.036	-0.037	-0.039

Function 250

Committee Adjustments to CBO Baseline

($ in millions)

		FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
National Science	BA	--	+158	+264	+515	+738	+1,010
Foundation	O	--	+121	+247	+500	+716	+975
Antartica	BA	--	+21	+20	+19	+14	+13
	O	--	+11	+20	+18	+14	+13
National Aeronautics and	BA	*	+796	+2,218	+2,758	+3,032	+3,100
Space Administration	O	*	+468	+1,333	+2,332	+2,865	+3,046
Total	BA		+975	+2,502	+3,292	+3,784	+4,123
Adjustments	O		+600	+1,600	+2,850	+3,595	+4,034

* Less than $50 million

J. BENNETT JOHNSTON, LOUISIANA, CHAIRMAN

DALE BUMPERS, ARKANSAS
WENDELL H. FORD, KENTUCKY
HOWARD M. METZENBAUM, OHIO
JOHN MELCHER, MONTANA
BILL BRADLEY, NEW JERSEY
JEFF BINGAMAN, NEW MEXICO
TIMOTHY E. WIRTH, COLORADO
WYCHE FOWLER, JR., GEORGIA
KENT CONRAD, NORTH DAKOTA

JAMES A. McCLURE, IDAHO
MARK O. HATFIELD, OREGON
LOWELL P. WEICKER, JR., CONNECTICUT
PETE V. DOMENICI, NEW MEXICO
MALCOLM WALLOP, WYOMING
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLAHOMA
CHIC HECHT, NEVADA
DANIEL J. EVANS, WASHINGTON

DARYL H. OWEN, STAFF DIRECTOR
D. MICHAEL HARVEY, CHIEF COUNSEL
FRANK M. CUSHING, STAFF DIRECTOR FOR THE MINORITY
GARY G. ELLSWORTH, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510

February 25, 1987

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed is the report of the Committee on Energy and Natural Resources including the "views and estimates" of the Committee for fiscal year 1988 for portions of the Federal budget under the Committee's jurisdiction as required section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended.

In preparation for this report, the full Committee held three days of oversight hearings to consider the President's proposed budget for FY 1988 at which testimony was received from Administration witnesses. The recommendations of the Committee were approved on February 25, 1987, by a vote of 17 ayes and 0 nays with a quorum present.

As outlined in the report, the Committeee on Energy and Natural Resources recommends to the Budget Committee that programs within its jurisdiction be funded in fiscal year 1988 at an aggregate current services level, except as specifically noted. As you requested, the report addresses new initiatives and potential savings the Committee contemplates pursuing during the year, as well as our recommended level of spending. The report also includes comments on budget cuts and other forms of deficit reduction included in the President's proposed budget for FY 1988.

On behalf of the Committee, we look forward to working with you and the other members of the Committee on the Budget to achieve early Congressional approval of the Concurrent resolution on the Budget for Fiscal Year 1988.

Sincerely,

James A. McClure
James A. McClure
Ranking Minority Member

J. Bennett Johnston
J. Bennett Johnston
Chairman

COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

RECOMMENDATION
ON
FISCAL YEAR 1988 BUDGET

FEBRUARY 25, 1987

Background

Section 301(d) of the Congressional Budget and Impoundment Control Act, as amended, requires the Committee on Energy and Natural Resources to submit its "views and estimates" for fiscal year 1988 of the portions of the Federal budget under the Committee's jurisdiction to the Committee on the Budget by February 25.

In preparation for this report, the full Committee has held three days of oversight hearings to consider the President's proposed budget for FY 1988. Testimony was received from Interior Secretary Donald Paul Hodel on January 29; from Energy Secretary John Herrington on February 18; from Federal Energy Regulatory Commission Chairman Martha O. Hesse on February 17; and from Agriculture Assistant Secretary George Dunlop and U.S. Forest Service Chief F. Dale Robertson on February 17, 1987.

The Committee approved the following recommendation on February 25, 1987, in an open business meeting by a vote of 17 ayes and 0 nays, with a quorum present.

As requested by the Budget Committee, the report addresses two areas of major policy changes contemplated by the Committee: new initiatives and deficit reduction. The deficit reduction section includes comments on budget cuts and other forms of deficit reduction included in the President's proposed budget for FY 1988.

Recommendation

The Committee recommends that programs within its jurisdiction be funded in fiscal year 1988 at an aggregate CBO current services level, although specific authorization levels within that aggregate may change, as noted. The Committee recommendation covers both direct spending program levels and credit program levels.

The Committee recommendations assume that its fiscal year 1988 recommendation is continued on a CBO current services level through fiscal year 1992.

The Committee recommendation is accompanied by a table (Appendix A) that includes accounts either wholly or partially within the jurisdiction of the Committee. As in years past, some of these accounts have not been included on the list of accounts sent to the Committee by the Budget Committee. In the event that the Congress undertakes a budget reconciliation process, inclusion or exclusion of accounts could affect the ability of the Committee to effectuate any proposed reconciliation instructions. Accordingly, the Committee is concerned about the accounts listing even though it is not crucial to submission of this "views and estimates" report. Efforts are under way at a staff level to resolve this issue. The Committee hopes and expects that those efforts will result in a satisfactory conclusion.

RECOMMENDATION

COMMITTEE ON ENERGY AND NATURAL RESOURCES
FISCAL YEAR 1988 BUDGET
(Millions of dollars)

BUDGET FUNCTION	FY 1987 APPRO-PRIATIONS	FY 1988 CBO CURRENT SERVICES BASELINE	PRESIDENT'S PROPOSED FY 1988 BUDGET	COMMITTEE RECOMMEND. FY 1988
(250)				
GENERAL SCIENCES	BA 825.4	BA 856.9	BA 957.5	BA 957.5
SPACE, AND TECHNOLOGY	OL 810.3	OL 842.7	OL 918.5	OL 918.5
(270)				
ENERGY	BA 3,539.6	BA 5,349.7	BA 5,265.9	BA 5,399.7
	OL 4,966.4	OL 5,045.4	OL 5,283.1	OL 4,970.4
(300)				
NATURAL RESOURCES	BA 5,342.1	BA 5,655.1	BA 4,991.4	BA 5,655.1
AND ENVIRONMENT	OL 5,358.0	OL 5,661.0	OL 4,959.9	OL 5,661.0
(450)				
COMMUNITY AND				
REGIONAL	BA 6.3	BA 11.1	BA 6.5	BA 11.1
DEVELOPMENT	OL 23.2	OL 17.2	OL 25.9	OL 17.2
(800)				
GENERAL GOVT.	BA 591.4	BA 266.1	BA 225.2	BA 266.1
	OL 420.6	OL 269.9	OL 225.2	OL 269.9
(850)				
GENERAL PURPOSE	BA 1,028.2	BA 1,076.7	BA 753.3	BA 1,076.7
FISCAL ASST,	OL 1,063.7	OL 1,075.7	OL 753.3	OL 1,075.7
TOTAL	BA 11,333.1	BA 13,215.6	BA 12,198.9	BA 13,366.2
	OL 12,642.3	OL 12,911.8	OL 12,165.9	OL 12,912.7

NARRATIVE STATEMENT ON RECOMMENDED SPENDING LEVELS

Major New Initiatives

Clean Coal Technology Research, Development and Demonstration Policy Act of 1987

The Committee will address the Department of Energy's clean coal technology program in the context of considering the Clean Coal Technolgoy Research, Development, and Demonstration Policy Act of 1987. No funds in addition to the existing $750 million Clean Coal Reserve are likely to be requested. Until now, all legislation for the clean coal program has been developed during the appropriations process. Currently, authorization exists for $750 million for Clean Coal Technology Programs. To the extent that spending exceeds this level further authorization will be required.

By way of background, the Department of Energy has requested to begin applying the remaining $350 million in the Clean Coal Reserve for an expanded, five year effort. They propose a second clean coal solicitation, which will permit the demonstration of coal technologies which are for retrofit, repowering or modernization of existing coal burning facilities. DOE has requested $150 million for this second solicitation, $50 million for FY 1988 (in addition to the $150 million already appropriated for the first solicitation) and an advance appropriation of $100 million for FY 1989. A third solicitation, also focusing on retrofit, repowering and modernization of existing technology, is to begin in FY 1990, with funds to be expended as follows: $50 million in FY 1990, $100 million in FY 1991, and $50 million in FY 1992.

The CBO current services budget for the clean coal technology reserve for FY 1988 shows budget authority at zero and outlays at $101.885 million. The Committee concurs with the President's recommendation to increase both the budget authority and outlay figures for FY 1988 by $50 million.

Renewable Energy Research, Development and Demonstration Policy Act of 1987.

The Committee will address renewable energy technologies in the context of considering the Renewable Energy Research, Development, and Demonstration Policy Act of 1987. It may or may not have a budget impact in FY 1988. This legislation would establish and provide an authorization for a multi-year program of research and development in renewable energy technologies. The purpose of the legislation is to set Congressional goals for a limited but carefully targeted program using Federal resources to encourage technologies that offer promise in the near term in reducing dependence on imported fossil fuels and in improving the competitiveness of U. S. business in international markets in renewable energy technology.

Uranium Enrichment Reform and Uranium Mining Revitalization and Reclamation Act of 1987.

The Committee will address the status of the uranium industry and uranium enrichment in the context of the Uranium Enrichment Reform and Uranium Mining Revitalization and Reclamation Act of 1987. It may or may not have a budget impact in FY 1988. The Committee recognizes the importance of a viable uranium industry and uranium enrichment enterprise. Currently neither the uranium mining industry nor the federal enrichment enterprise is at all healthy. In the Continuing Resolution for Fiscal Year 1987, the Congress directed the authorizing committees to address the financial management of the uranium enrichment program, including the so-called program debt. This legislation will offer the Committee an opportunity to respond to this direction.

In the 99th Congress the Committee considered and favorably reported S.1004, the Uranium Revitalization and Reclamation Act. Legislation in the 100th Congress will be patterned on this bill.

Land and Water Conservation Fund Reauthorization

Funding authorization for the Land and Water Conservation Fund expires in FY 1989. The Committee will consider S. 84, legislation that has been introduced to reauthorize it at $1 billion per year for 25 years. When considering this legislation, the Committee will likely review recommendations of the President's Commission on Americans Outdoors, which has suggested that the Land and Water Conservation Fund be converted into a true trust fund, to be financed from a variety of sources including revenues from the Outer Continental Shelf leasing activities. This legislation would have no effect on the current services budget level.

Historic Preservation Fund Reauthorization

The funding authorization for the Historic Preservation Fund expires at the end of FY 1987. Legislation may be considered by the Committee reauthorizing the fund in FY 1988 and beyond at the current level of $150 million per year. This legislaton would have no effect on the CBO current services budget level.

Miscellaneous Natural Resources Legislation

Miscellaneous park, wilderness, trail, and wild and scenic river proposals may be enacted which would have a FY 1988 budget impact. While specific legislation cannot be anticipated at this time, the impacts should be relatively small. These would include increased land acquisition costs, management costs, and increased expenditures by the various land managing agencies for operation and maintenance. It is possible, but not likely, that these miscellaneous proposals would have budgetary impact in FY 1988 above the current services budget level.

Deficit Reduction Proposals

Uranium Supply and Enrichment Activities

The Committee concurs in the President's estimate that substantial excess revenues will be collected under the uranium enrichment program. The Committee estimates that these FY 1988 revenues will total $125 million, which amounts will be treated as offsetting receipts for the Energy function.

Comments on the President's Deficit Reduction Proposals

There are a number of deficit reduction assumptions or proposals included in the President's proposed budget for FY 1988 that the Committee does not share and cannot endorse. The Committee's comments on those deficit reduction assumptions or proposals follow.

Strategic Petroleum Reserve Funding

With regard to the Strategic Petroleum Reserve (SPR), the Committee notes the nation's rapidly increasing dependence on oil imports and the continuing conflicts in the Middle East, particularly the Persian Gulf. Accordingly, the Committee is opposed to the Administration's proposal for a reduction in the SPR fill rate from 75,000 barrels per day to 35,000 barrels per day, and to the Administration's proposal for an exemption from the provisions of 42 U.S.C. 6240(d) which require that if the fill-rate drops below 75,000 barrels per day, then the United States share of the Naval Petroleum Reserve number 1 (Elk Hills) must be shut in or used solely for SPR. Current Law also requires the fill rate to be the highest practicable fill rate using available funds. The Committee supports the continuation of a 75,000 barrel per day fill rate and thus a continuation of CBO current services funding levels. While recommending a current services budget for the SPR, the Committee strongly believes that a current services fill rate of 75,000 barrels per day is too low in light of our clear and growing dependence on foreign oil. According to the Secretary of Energy, the availability of storage facilities would limit the FY 1988 fill rate to 100,000 barrels per day. The Committee would like to see the SPR filled at the maximum efficient rate for available storage and accordingly the Committee is exploring funding options to support a 100,000 barrel per day fill rate.

Similarly the Committee supports SPR construction at the current services budget level, rather than a reduced level as proposed by the Administration.

Conservation Grants Funding

The Committee notes that, pursuant to the order of the United States District Court for the District of Columbia in United States v. Exxon Corp., almost $2.1 billion in petroleum overcharge funds have been disbursed to the States to be used in accordance with section 155 of Public Law 99-377. The purpose of this section is to provide for limited restitution to persons injured by petroleum price violations through supplemental funding for energy conservation and assistance grant programs.

Last year, after settlement of the Stripper Well oil overcharge case, Congress in the Omnibus Budget Reconciliation Act of 1986, provided that the Federal contribution to the four Department of Energy conservation grant programs shall be maintained, through fiscal year 1989, at a level of $200 million per year. The Congress further provided that these funds shall derive primarily from "excess" amounts deposited in the Petroleum Violations Escrow (PVE) account established pursuant to the Stripper Well Agreement and that direct appropriations would be used to make up the difference between the $200 million funding level and the amount of "excess" available from the PVE.

The Committee supports continuation of current services which provides for a $200 million Federal contribution to the Department of Energy conservation grant programs (Weatherization, Schools and Hospitals, Energy Extension Service and State Energy Conservation Programs). The Committee intends that funds be distributed among these programs in the same proportion as funds were distributed in fiscal year 1986. In addition, the Committee supports the use of "excess" amounts in the PVE as the primary source of funds to meet the continued Federal contribution of $200 million. However, the Committee understands that the Administration has concluded that there will be no "excess" available from the PVE in fiscal year 1988. The Committee expresses its concern that such a conclusion may be based on a new policy which presumes claimants to PVE funds are injured parties. The Committee understands that, pursuant to the Stripper Well Agreement, claimants must demonstrate injury in order to receive awards. In the view of the Committee, a policy of "presumption of injury" is inconsistent with the Stripper Well Agreement and risks the loss of funds anticipated to become available to the U.S. Government for use by the energy conservation grant programs.

The Committee observes that under the terms of the settlement reached in the Stripper Well oil overcharge case the United States Treasury can anticipate future revenues of approximately $2.4 billion. However, the Committee believes that the Administration's expectation that these revenues will become available within two years is overly optimistic in light of past performance in settling oil overcharge injury claims.

Reduction in Fossil, Solar, and Conservation Research and Development

The Committee does not support the large cuts proposed by the President in these accounts ($132 million in fossil, $52 million in solar and $82 million in conservation). In past years, Congress has added funds to the President's request for energy research and development, particularly in the fossil area.

Superconducting Super Collider

The Committee believes that a commitment in FY 1988 to $5+ billion in outlays over the next several years for the SSC is not likely absent enactment of specific authorization. The Administration's proposal would start work on the SSC in FY 1988 with $35 million. The Committee supports continued research and development on the SSC, at funding levels consistent with the FY 1987 funding levels for this program. The Committee believes that activities related to actual construction of the SSC should not be funded unless and until a specific authorization is enacted. Furthermore, the Committee opposes funding the SSC by reducing on-going research programs. The Committee will consider legislation to authorize development of a Superconducting Supercollider.

Uranium Enrichment

The Committee does not support the cancellation of the AVLIS program ($80 million in FY 1987), and may examine the appropriateness of payment to TVA of $549 million for demand charges for electric power not used.

Nuclear Waste Fund

The nuclear waste program is in disarray, raising doubts that the Congress will approve the $725 million for the program under the recently transmitted draft amendments to the mission plan for the civilian radioactive waste management program. The Committee believes that the amendments proposed to the mission plan are contrary to the requirements of the Nuclear Waste Policy Act of 1982 and that amendments to the plan under the Act cannot alter specific and quite clear provisions of the Act. Therefore the Committee believes that in order to be consistent with the Act the Department must provide a budget request that is different than any now available to Congress.

This request must include a plan for resolution of the current problems regarding implementation of the Act, especially those regarding consultation and cooperation with the affected candidate states for a waste repository. The Committee also expects the Department to cooperate as required by the Act with States affected by the transportation of nuclear waste under this program. The acceptability to this Committee of any budget request for this program will be critically dependent on DOE's resolution of these problems.

Rescissions

The Committee does not support any of the rescissions proposed for programs under its jurisdiction.

Privatizing Power Market Administrations

The Committee is aware of the Administration's interest in privatizing the Department of Energy's Power Marketing Administrations ("PMA's"). The budget assumes revenues of $13.8 billion from the sale of all five PMA's during fiscal years 1989-1992. Last year, the Senate cast doubt on the advisability of such sales (with the exception of the Alaska Power Administration) by prohibiting the expenditure of funds for preparing or reviewing studies, or soliciting bids and proposals to privatize the PMA's (P.L. 99-349). The Committee has serious reservations as to whether such sales represent good national and consumer public policy.

The Committee's report contains no change in current policy with respect to the PMA's, particularly Bonneville.

Onshore Mineral and Timber Revenue Sharing - Gross v. Net Receipts

The President's budget includes a proposal that the costs of administering onshore mineral leasing be deducted from total mineral revenues received, with the states receiving net receipts beginning in FY 1988. The budget includes a similar proposal for

Oregon and California ("O&C") County timber revenue sharing. The Committee opposes the Administration's proposal.

Land and Water Conservation Fund Rescission

The Committee does not favor the proposed rescission of FY 1987 funds for federal land acquisition, construction, historic preservation and the state grant program of the Land and Water Conservation Fund.

National Park Service Entrance Fees

The Committee will consider and may endorse the proposal by the National Park Service to enact permanent authority to increase entrance fees at park system units. In FY 1987, a temporary fee increase was enacted in the Continuing Resolution.

Forest Service Timber Revenue Sharing - Gross v. Net Receipts

The President's budget for the Forest Service proposes to change the method by which revenue sharing payments to States are calculated by using net instead of gross receipts. The Committee feels that distribution of these funds should contiue to be based on gross receipts. Local governments use these payments for schools and roads, and the massive reduction in payments proposed in the gross/net proposal could be devastating to some timber dependent communities.

State and Private Forestry

The Committee also does not favor the proposed decrease in funds for State and Private Forestry since such a reduction will undoubtedly adversely affect the management of our nonindustrial private land base.

Forest Service Fees

The Forest Service has also proposed to increase revenues by expanding its authority to charge fees at less improved campsites and picnic areas. The Committee feels that it is premature to make a judgment on this request, as no legislation has been transmitted. More information is needed on the nature of any new or increased fees and the costs of implementing such a program. The Committee is, however, opposed to any type of entrance or daily use fee for units of the national forest system.

Forest Service Land Acquisiton Funds

The Committee is opposed to the proposed FY 1987 rescission request for Forest Service land acquisiton funds.

Transfer from Abandoned Mine Land Fund for Personnel Costs

The proposed budget would transfer $1.3 million from the Abandoned Mine Reclamation ("AML") Fund to cover increased 1987 pay and retirement costs in the Regulation and Technology appropriation. The AML fund was established by Congress under the Surface Mining Control and Reclamation Act of 1977 ("SMCRA") to provide for the reclamation of land and water resources adversely affected by past coal mining. The Committee believes that the transfer should not take place since much reclamation work is left to be done, and the AML Fund therefore should not be used to pay these personnel costs.

Mineral Institutes

Funding is not requested for the 32 Mineral Institutes in 1988, and the Department has requested that the $7.6 million appropriated for FY 1987 be rescinded. The Committee believes that the Institutes should be funded since they carry out important basic research and education activities in mineral sciences and engineering.

Territories

With regard to territorial affairs, the Committee notes that the President's budget request did not include funding for the following obligations which will not be funded under a current services funding level: payments for services previously contracted for by the Trust Territory Government ($13 million), obligations to the people of Bikini under an out-of-court settlement ($4.7 million), and unpaid Trust Territory Government land-use payments ($2.7 million).

Bureau of Reclamation Program Priorities

The President's budget includes a proposal to change the funding priorities of the Bureau of Reclamation to increase funding to complete a few ongoing major construction projects, and to decrease or terminate the funding for other construction projects, the loan program, and General Investigation projects. While the Committee does recognize and support the need to increase the efficiency of the Bureau of Reclamation, the Committee questions whether this proposal is an appropriate solution. The American public has relied on the commitment that Congress has made to those projects. Without prejudging the conclusion, the Committee would want to review carefully any proposal that would affect that commitment.

APPENDIX A

COMMITTEE ON ENERGY AND NATURAL RESOURCES - BUDGET ACCOUNTS BY FUNCTION

FUN	SUB	ACCT. #	TITLE	STATUS
250				
	251			
		19-20-0222-251	General science and research activities	
		31-45-0200-251	U.S. Antarctic program	Shared
270				
	271			
		15-10-0112-271	Energy security reserve	
		15-10-0114-271	Biomass energy development	Shared
		15-11-0206-271	Geothermal resources development fund, FFB (loan guarantee originations)	Inactive
		15-11-5180-271	Alternative fuels production, FFB (loan guarantee originations)	Inactive
		19-20-0117-271	Clean coal technology	
		19-20-0206-271	Geothermal resources development fund	
		19-20-0213-271	Fossil energy research and development	
		19-20-0219-271	Naval petroleum and oil shale reserves	
		19-20-0224-271	Energy supply, R&D activities	
		19-20-0226-271	Uranium supply and enrichment activities	
		19-20-5180-271	Alternative fuels production	Inactive
		19-20-5227-271	Nuclear waste disposal fund	
		19-20-8575-271	Advances for cooperative work	
		19-50-0302-271	Operation and maintenance, Southeastern Power Administration	
		19-50-0303-271	Operation and maintenance, Southwestern Power Administration	
		19-50-0304-271	Operation and maintenance, Alaska Power Administration	
		19-50-4045-271	Bonneville Power Administration fund	
		19-50-4452-271	Colorado river basins power marketing fund, Western Area Power	
		19-50-5068-271	Construction, rehabilitation, operation, and maintenance, WAPA	
		19-50-5069-271	Emergency fund, Western Area Power Administration	Inactive
		19-50-5649-271	Continuing fund, Souwestern Power Administration	Inactive
		19-50-5653-271	Continuing fund, Southeastern Power Administration	Inactive
		19-60-0205-271	Special foreign currency program	Inactive
	272			
		19-20-0215-272	Energy conservation	
		25-05-0179-272	Assistance for solar and conservation improvements	
	274			
		19-20-0218-274	Strategic petroleum reserve	
		19-20-0233-274	SPR petroleum	
		19-20-0234-274	Emergency preparedness	
	276			
		19-20-0212-276	Federal Energy Regulatory Commission	
		19-20-0216-276	Energy information administration	
		19-20-0217-276	Economic regulation	
		19-60-0228-276	Departmental administration	
300				
	301			
		10-10-0667-301	Loan program	
		10-10-0684-301	Construction program	
		10-10-4079-301	Lower Colorado River Basin development fund	Inactive
		10-10-4081-301	Upper Colorado River Basin fund	Inactive
		10-10-4524-301	Working capital fund	
		10-10-5043-301	Emergency fund	

10-10-5060-301	General investigations	
10-10-5064-301	Operation and maintenance	
10-10-5065-301	General administrative expenses	
10-10-5656-301	Colorado River dam fund, Boulder Canyon project	
10-10-8070-301	Reclamation trust funds	
10-84-9911-301	Miscellaneous expiring appropriations (Water resources)	Inactive
302		
05-96-1103-302	Construction	Shared
05-96-1104-302	Forest research	Shared
05-96-1106-302	National forest system	Shared
05-96-5207-302	Range betterment fund	
05-96-9922-302	Forest Service permanent appropriations	
10-04-1109-302	Management of lands and resources	
10-04-1110-302	Construction and access	Shared
10-04-1116-302	Oregon and California grant lands	
10-04-1117-302	Special acquisition of lands and minerals	
10-04-4525-302	Working capital fund	
10-04-5011-302	Recreation development and operation of recreational facilities	Inactive
10-04-5017-302	Service charges, deposits, and forfeitures	
10-04-5033-302	Land acquisition	
10-04-5048-302	Operation and maintenance of quarters	
10-04-5132-302	Range improvements	
10-04-9921-302	Miscellaneous permanent appropriations (Conservation and land management)	
10-04-9971-302	Miscellaneous trust funds	
10-06-1917-302	Minerals and royalty management	
10-08-1801-302	Regulation and technology	
10-08-5015-302	Abandoned mine reclamation fund	
10-84-9911-302	Miscellaneous expiring appropriations (Conservation and land management)	Inactive
303		
05-96-5004-303	Land acquisition	Shared
05-96-5072-303	Operation and maintenance of recreation facilities	
10-18-5020-303	Land acquisition and State assistance	
10-24-1031-303	Urban park and recreation fund	
10-24-1035-303	National Capital Region Arts and Cultural Affairs	Inactive
10-24-1036-303	Operation of the national park system	
10-24-1037-303	Road construction	Inactive
10-24-1039-303	Construction	
10-24-1042-303	National recreation and preservation	
10-24-1043-303	Illinois and Michigan canal national heritage-corridor Commission	
10-24-1044-303	Jefferson national expansion memorial commission	
10-24-5006-303	Planning, development, and operation of recreation facilities	Inactive
10-24-5035-303	Land acquisition	
10-24-5049-303	Operation and maintenance of quarters	
10-24-5077-303	Commemorative activities fund	Inactive
10-24-5078-303	National park system visitor facilities fund	
10-24-5140-303	Historic preservation fund	
10-24-9924-303	Miscellaneous permanent appropriations	
10-24-9972-303	Miscellaneous trust funds	
30-10-2300-303	Salaries and expenses	
30-10-8290-303	Donations	
304		
05-60-3318-304	Colorado river basin salinity control program	Inactive
306		
10-10-9922-306	Miscellaneous permanent appropriations (Other natural resources)	Inactive
10-12-0804-306	Surveys, investigations and research	Shared
10-12-8562-306	Contributed funds	

	10-14-0959-306	Mines and minerals	
	10-14-4053-306	Helium fund	
	10-14-8287-306	Contributed funds	
	10-84-0102-306	Salaries and expenses, Office of the Secretary	Shared
	10-84-0103-306	Construction management	
	10-84-0105-306	Office of the Secretary (special foreign currency program)	
	10-84-4523-306	Working capital fund	Inactive
	10-86-0107-306	Office of the Solicitor	
	10-88-0104-306	Office of Inspector General	
	10-88-5052-306	Operation and maintenance of quarters	New
400			
401			
	05-96-8029-401	Highway Construction: Mount St. Helens National Monument	Inactive
	10-24-8215-401	Construction (trust fund)	Shared
451			
	25-02-4040-451	Community disposal operations fund	
	32-08-0100-451	Salaries and expenses, Pennsylvania Avenue Development Corpora	
	32-08-0102-451	Public development	
	32-08-4084-451	Land acquisition and development fund	
	32-08-8112-451	Gifts and donations	Shared
800			
806			
	10-76-9925-806	Misc. perm. appop. (Other general govt.) (Alaska Native Fund)	Shared
	10-76-9973-806	Misc. trust funds (Other general government)	Inactive
	10-82-0412-806	Administration of territories	
	10-82-0414-806	Trust Territory of the Pacific Islands	
	10-82-0415-806	Compact of free association	
	10-82-0416-806	Micronesian claims fund, Trust Territory of the Pacific Island	Inactive
	10-82-7011-806	Administration of territories, FFB direct loans	
	15-11-0412-806	Territory of the Virgin Islands, FFB (loan guarantee originations)	Inactive
	15-11-0413-806	Guam Power Authority (loan guarantee originations)	Inactive
	33-19-3300-806	Holocaust Memorial Council	
	33-19-8279-806	Gifts and donations	Inactive
850			
852			
	05-96-9921-852	Forest Service permanent appropriations	Shared
	10-04-1114-852	Payments in lieu of taxes	
	10-04-9921-852	Miscellaneous permanent appropriations (Other general purpose	
	10-06-5003-852	Payments to States from receipts under Mineral Leasing Act	
	10-10-9922-852	Miscellaneous permanent appropriations (Other general purpose	
	10-82-0418-852	Payments to the United States territories, fiscal assistance	
	15-15-9922-852	Miscellaneous permanent appropriations	

QUENTIN N. BURDICK, NORTH DAKOTA, CHAIRMAN

DANIEL PATRICK MOYNIHAN, NEW YORK
GEORGE J. MITCHELL, MAINE
MAX BAUCUS, MONTANA
FRANK R. LAUTENBERG, NEW JERSEY
JOHN B. BREAUX, LOUISIANA
BARBARA A. MIKULSKI, MARYLAND
HARRY M. REID, NEVADA
BOB GRAHAM, FLORIDA

ROBERT T. STAFFORD, VERMONT
JOHN H. CHAFEE, RHODE ISLAND
ALAN K. SIMPSON, WYOMING
STEVE SYMMS, IDAHO
DAVE DURENBERGER, MINNESOTA
JOHN W. WARNER, VIRGINIA
LARRY PRESSLER, SOUTH DAKOTA

PETER D. PROWITT, STAFF DIRECTOR
BAILEY GUARD, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-6175

February 25, 1987

Honorable Lawton Chiles
Chairman
Committee on the Budget
U.S. Senate
Washington D.C. 20510

Honorable Pete V. Domenici
Ranking Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Lawton and Pete:

On behalf of the Committee on Environment and Public Works, we transmit our report to the Committee on the Budget as required by section 301(d) of the Congressional Budget Act of 1974.

The Committee has conducted hearings on four of the agency budget proposals within its jurisdiction. The remaining agencies have submitted written statements and responded in writing to specific questions regarding their budget proposals.

The Committee is recommending substantial savings in the Federal Highway program and increases to support the major new initiatives mandated to the Corps of Engineers and the Environmental Protection Agency in the past year.

We are including in addition to the Committee report, recommendations by Senators Stafford, Chafee, Simpson and Durenberger for funding levels that are at variance with certain recommendations in the Committee report.

We appreciate your consideration of the recommendations made by the Committee.

Sincerely,

Robert T. Stafford
Ranking Minority Member

Quentin N. Burdick
Chairman

ENVIRONMENT AND PUBLIC WORKS COMMITTEE
SUMMARY TABLE OF BUDGET AUTHORITY

AGENCY	FY87 Approp.	FY88 Pres. Req.	FY88 Curr. Serv.	EPW Comm. Rec.	+/- Curr. Serv.	+/- FY87 Approp.
Direct Spending:						
Federal Highway Administration (a)	13,000.0	12,800.0	13,475.0	12,350.0	(1,125.0)	(650.0)
(b)	922.0	600.0	956.0	800.0	(156.0)	(122.0)
Appropriated:						
Environmental Protection Agency						
Operating Budget	1,493.8	1,489.4	1,594.2	1,650.0 (c)	55.8	156.2
Construction Grants	2,400.0	2,000.0	2,525.0	2,400.0	(125.0)	0.0
Superfund	1,411.3	1,200.0	1,488.0	1,700.0	212.0	288.7
Leaking Underground Storage Tanks	50.0	0.0	53.0	100.0	47.0	50.0
Nuclear Regulatory Commission	401.0	427.8	427.0	427.8	0.8	26.8
Fish and Wildlife Service	353.9	291.5	379.0	379.0	0.0	25.1
Council on Environmental Quality	0.8	0.9	1.0	0.9	(0.1)	0.1
Corps of Engineers	3,117.0	3,521.0	3,535.0	3,596.0	61.0	479.0
Disaster Relief	120.0	125.0	258.0	125.0	(133.0)	5.0
Kennedy Center	4.7	4.9	5.0	4.9	(0.1)	0.2
Tennesee Valley Authority	100.0	72.8	106.0	106.0	0.0	6.0
TOTALS	23,374.5	22,533.3	24,802.2	23,639.6	(1,162.6)	265.1

Economic Development Administration -- No specific $ recommendation
Appalachian Regional Commission -- No specific $ recommendation

(a) obligation ceiling
(b) outside obligation ceiling
(c) pending additional information on costs associated with P.L.100-4 and other programs

$ General Services Administration -Pres. request includes $2.9 bil. in outlays for public buildings.

General Overview

Section 301 (d) of the Congressional Budget Act of 1974 as amended requires Committees to report to the Budget Committee by February 25 with spending recommendations for programs within their jurisdiction for the coming fiscal year. Accordingly, this report presents the fiscal year 1988 recommendations developed by the Environment and Public Works Committee.

The Committee has carefully reviewed the proposed budgets for agencies within its jurisdiction. Public hearings were held on proposals for the Environmental Protection Agency, Fish and Wildlife Service, Nuclear Regulatory Commission and Tennessee Valley Authority.

The effort to develop recommendations this year was particularly difficult within the time frame of the amended Budget Act. Agencies were unable to furnish detailed budget explanations to the Committee until January 28, 1987, allowing less than one month to conduct oversight activities. In that context, we provide these recommendations with the understanding that they are estimates and subject to change as the Committee proceeds to collect and evaluate further information.

The attached recommendations reflect the Committee's objective to balance the needs of programs within its jurisdiction with the mandate to hold the line on deficit spending. A guiding principle in developing these recommendations was to fully support newly enacted programs. The past legislative year has been particularly active for the Committee. Major initiatives were enacted that have been developed over a period of years. In most cases they were almost unanimously adopted by the Congress. In recognition of that fact, the Committee is proposing some increases in existing programs to support new initiatives. These increases are to a large extent offset by proposed savings in the Federal Aid Highways program. These savings are reflected in S. 387, the pending reauthorization of the highway program, currently being considered in the Conference Committee.

The Committee also notes that some of its programs are entirely or partially self-financed. This is certainly the case with the highway program, the Corps of Engineers, Superfund, and the new Leaking Underground Storage Tank program. The revenues collected into accounts established under these programs are dedicated funds that are counted against deficit spending.

The Committee recognizes that oversight and possibly reform of some existing programs in its jurisdiction is necessary and overdue. The Committee anticipates reviewing the program objectives of the Appalachian Regional Commission and the Economic Development Administration. Because the issues involved in this review go beyond the scope of budget, the Committee is a specific funding recommendation for either program at this time.

In the course of the Committee's budget review valuable suggestions have been put forth to attain further savings from programs within its jurisdiction. These suggestions will receive further scrutiny. Given the array of concerns generated by these proposals, it would be premature to include them as budget recommendations. The Committee will continue to explore options for additional program reforms and revenue sources.

FEDERAL HIGHWAY ADMINISTRATION

The Federal-aid highway program is a federally assisted, State-administered program that operates through the distribution of Federal funds to the States to construct and improve urban and rural highway systems. The program is administered by the Federal Highway Administration (FHWA), an agency of the U.S. Department of Transportation.

The Committee's fiscal year 1988 recommendation for the Federal-aid highway program is based on reauthorization legislation that passed the Senate by a 96-2 vote on February 4, 1987. The Senate passed similar legislation last year, but no agreement was reached in conference with the House before the 99th Congress adjourned. States should have received their highway apportionments on October 1, 1986, but without new highway authorizations, the Department of Transportation has been unable to release funds.

The Federal-Aid Highway Act of 1987 reauthorizes the highway program for fiscal years 1987, 1988, 1989, and 1990 at a $13.2 billion level in spending authority per year. Amounts for the

Federal-aid highway program reflect all spending from the Highway Trust Fund including amounts outside the obligation limitation.

The Federal-aid highway program is funded entirely with highway user fees and is a program that pays for itself. The user fees accrue to the Highway Account of the Highway Trust Fund and can only be spent for highway purposes. At the end of fiscal year 1986, there was a balance of $9.5 billion in the Highway Account. The Treasury Department estimates that receipts into the Highway Account will total approximately $12.5 billion in fiscal year 1987. By 1990, this amount will increase to an estimated level of $13.5 billion.

The Administration has transmitted a bill to Congress to reauthorize the highway program for four years. The proposed legislation reflects the funding levels in the President's budget with an authorization level of $13.4 billion annually for fiscal years 1987 through 1990. Under the Administration bill, an obligation limitation of $12.8 billion is proposed for fiscal year 1988. Approximately $600 million in spending for the minimum apportionment and emergency relief programs is outside the ceiling. It is estimated that the FHWA outlays will approximate $12.9 billion in fiscal year 1988 compared to actual outlays of $14.2 billion in fiscal year 1986 and estimated outlays of $12.7 billion in fiscal year 1987, dependent upon the date of enactment of amendments.

The Senate bill establishes an obligation limitation of $12.35 billion annually for fiscal years 1987 through 1990. Funds for the emergency relief and minimum allocation programs are not subject to the obligation limitation; together, funding for those programs is estimated at $800 million per year.

An obligation limitation is imposed for the Federal-aid highway program; this prescribes the amount of funds that can be obligated each fiscal year. Most Federal programs are subject to an annual review in the appropriations process. Highway projects have a multi-year planning, design, and construction horizon that makes an annual appropriation impractical. Unlike other Federal programs, highway programs are approved and funds are made available for a two year period of time or longer as contract authority from the Highway Trust Fund and therefore are not subject to the appropriation process. The obligation limitation is imposed to make the highway program responsive to fluctuating fiscal situations and prevailing economic policy. The limitation does not reduce the total authorization of funds nor does it specify which projects receive funds. The limitation has the effect of controlling the outlays in a specific year, thereby controlling the cash outflow from the Highway Trust Fund.

The Federal-Aid Highway Act of 1987 recognizes that there is a strong need to address the Federal deficit. The focus must be on outlays because they represent actual spending. Since the Federal Government operates under a unified budget, the outlays from all sources, including the Highway Trust Fund, are compared to income from all sources to determine the Government's fiscal balance. Therefore, a change in spending from the Trust Fund, even though modest in scale, changes the size of the deficit. It is appropriate that every Federal expenditure be reviewed.

The Senate bill provides $52.3 billion in new authorizations for the highway program from the Highway Account of the Highway Trust Fund over the next four years. In that time, States will be able to obligate the total amount authorized. It is important that new authorizations not exceed the amount States are permitted to obligate each fiscal year. In recent years, authorizations have surpassed States' obligation limitation with the result that States have approximately $6 billion in apportionments from previous years that they are not allowed to spend.

The Federal-Aid Highway Act of 1987 emphasizes both completion of the Interstate System by 1990 and program flexibility. The bill furnishes the necessary long term funding for the Federal-aid highway program and will permit the States to do the ongoing planning that is essential for effective and beneficial highway projects. The Committee believes that the highway program should be funded at a level that uses the balance in the Highway Account and anticipated revenue receipts. Further, the Committee believes that, at a minimum, spending levels for the highway program should be maintained at the levels authorized in The Federal-Aid Highway Act of 1987.

ENVIRONMENTAL PROTECTION AGENCY

Summary

The Committee is recommending an operating budget of $1.650 billion for the Environmental Protection Agency, equivalent to the level of funding the Agency requested for FY88 from the Office of Management and Budget. This recommendation is subject to revision once the Agency provides information on the costs of implementing P.L. 100-4, the Clean Water Act amendments. The Committee expects this cost estimate to be available at the end of March.

The recommendation for Superfund is $1.7 billion and $100 million for Leaking Underground Storage Tanks, consistent with authorized levels in P.L.99-499 the Superfund Amendments and Reauthorization Act (SARA). $2.4 billion is recommended for the Clean Water Act Construction Grants program, the level authorized in P.L. 100-4.

Operating Budget

The Environmental Protection Agency is responsible for administering and implementing the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Resource Conservation and Recovery Act, Superfund, the Marine Protection, Research and Sanctuaries Act and the Toxic Substances Control Act. In the past year, major amendments have been enacted to three of these acts, substantially increasing the Agency's responsibilities.

The President's request for EPA's operating budget is $1.489 billion, a slight decrease compared to the FY87 appropriated level of $1.494 billion. The Committee is recommending $1.650 billion, the level requested from the Office of Management and Budget. This is an increase of $161 above the Administration request and $156 above the current appropriation. The Committee recommends that this additional funding be allocated in part to priority projects which are discussed further in this report.

Water Quality

On February 4, the Water Quality Act of 1987 became public law. This Act mandates major new initiatives including programs to address nonpoint source pollution, stormwater runoff, and toxics. Neither the President's budget nor the EPA budget request to the President include funding for implementation. The Committee proposes that additional funds be provided for the non-construction grant provisions. A recommendation will be developed for the level and allocation of additional funds upon receipt of information the Agency has promised to provide to the Committee. The Committee will provide this recommendation to the Budget Committee as soon as possible. The Committee also recommends continued funding for the Clean Lakes program.

Asbestos in Schools

The Administration has proposed rescission of $47.5 million in FY87 funds for the Asbestos School Hazard Abatement Act (ASHAA) loan and grants program. The Committee opposes this rescission proposal. Each year since the ASHAA was enacted, the Administration has refused to ask for funding. Congress has consistently shown its support for this important program by appropriating funds for the grants and loans. These funds are awarded to schools with the greatest health hazard and financial need.

Last year, Congress passed the Asbestos Hazard Emergency Response Act (AHERA) because of the continuing concern that school children and employees should not be exposed to dangerous levels of asbestos. This new legislation required schools to do additional inspections and prepare management plans for crumbling asbestos. As more schools discover problems, the need for financial assistance in correcting asbestos hazards will increase. Congress should not abandon responsibility for helping the poorest school districts to protect the health of children, teachers and other workers.

Research and Development

The Committee remains concerned about the erosion of resources and support for the Research and Development program. The Administration request for FY88 represents a 24% reduction compared to actual spending in FY81 and is a 6% reduction compared to the FY87 appropriated level. This reflects serious problems in EPA's planning and management of research programs generally and long term, exploratory efforts particularly. The Agency is developing a new planning policy for long term research to be completed in May. The Committee intends to study this policy as well as other options to provide stability to the EPA research program.

Radon Research and Development

The Committee is strongly opposed to the proposed transfer of most radon gas research to the Department of Energy. The Administration proposes a 50% reduction in EPA funding for this activity in FY88. EPA, rather than another Federal agency, should be in charge of radon research and related programs. This policy is established in Title IV of the Superfund Amendments and Reauthorization Act. The Committee recommends that funding proposed for radon research at the Department of Energy in FY88 be transferred to EPA. This funding should be used by the Agency for research and abatement activities related to radon and for assistance to State radon programs.

Research and Development Lab

The President's budget proposes rescinding $500,000 appropriated for a joint research effort between EPA and a consortium of New Jersey universities. The appropriation measure designated these funds for renovation (including architectural and engineering services for such renovation) of existing buildings adjacent to EPA facilities in Edison, New Jersey for research and development activities. EPA and the consortium of universities, consisting of the New Jersey Institute of Technology, Princeton, Rutgers, Stevens Institute of Technology, and the University of Medicine and Dentistry of New Jersey, will conduct the research. These universities currently operate the National Science Foundation Industry/University Cooperative Center for Research in Hazardous and Toxic Substances. The joint venture will include research and development of hazardous waste treatment technologies. As the Administrator of EPA noted before the Committee, such research should have broad applications to a variety of environmental programs. Location of this facility in New Jersey is particularly appropriate, given the State's academic resources, high level of petrochemical related industrial manufacturing and research activity, and number of Superfund sites (the most of any State in the nation).

The Committee recommends the disapproval of the proposed rescission, as well as continued support for this endeavor in succeeding years.

Greenhouse Effect and Ozone Depletion

The Committee recommends that not less than $5 million of funds above the Administration request be allocated to the work on the greenhouse effect and ozone depletion. Approximately $3 million, in addition to FY87 appropriated levels, should be allocated to complete studies undertaken by the Agency at the request of the Congress. An additional $2 million is to be used for other initiatives.

While no sums are specifically recommended for the purchase and operation of "supercomputers", the Committee has requested a report on the feasibility of dedicating one of these advanced systems exclusively to analysis of ozone depletion and climate change data and modelling. This report is to be submitted by the Agency not later than March 15, 1987, which will allow adequate time for the development and submission of revised recommendations by the Committee.

Health Effects of Ozone

The Committee recommends approximately $2.5 million, or more if needed, be allocated to a long-term study of the health effects of tropospheric ozone. At least two studies, both reported in peer reviewed journals, have suggested that this ubiquitous pollutant may be carcinogenic or oncogenic. In view of estimates that as many as 100 million Americans, many of them children, are exposed to unhealthful levels of ozone (often referred to as "smog"), it is prudent to clarify the effects of long-term, low-level exposures to this pollutant.

In responding to questions submitted by Committee members, the Administrator stated that the Environmental Protection Agency had no plans to either replicate the studies mentioned above or undertake longer term research. It was suggested, however, that the Health Effects Institute might undertake such studies.

The existence of the Institute does not lessen the obligation of the government to itself assure that the public is fully informed as to health effects of pollutants. The Environmental Protection Agency should consider conducting these long term studies through the National Toxicology Program (NTP). While NTP does not ordinarily conduct research on criteria air pollutants, a coordinating role in this case is entirely appropriate in view of the health effects in question, namely cancers and tumors.

Selective Catalytic Reduction

The President's budget contains no sums for either the demonstration of Selective Catalytic Reduction (SCR) on boiler applications or on in-use diesel engines.

SCR has been widely employed in other industrialized nations--Japan, Germany, and Austria, to name but three--as well as on natural gas generating plants in California. Although it has been widely and extensively demonstrated in these other countries on coal-fired plants, some domestic utility representatives express doubt as to its applicability in the United States. If such doubts are well-founded, the Agency is encouraged to demonstrate the technology.

Also of importance is the need to continue development of SCR for in-use stationary diesel engines. Although the Agency has demonstrated between 67 and 98 percent NOx removal on a heavy duty diesel run for 4,000 hours, it is essential to demonstrate this technology in field conditions. Some State and local jurisdictions are extremely anxious to undertake such demonstrations, but require technical and financial assistance to do so. In many non-attainment areas, the application of SCR to stationary diesels could substantially reduce NOx emissions and hasten attainment of the primary standards.

Construction Grants

The Committee is recommending $2.4 billion for the Construction Grants program in FY88. This is the level authorized in the recently enacted Water Quality Act of 1987. The Act provides for $2.4 billion to States annually through FY91, then in declining amounts until Federal funding is completed in FY94.

The Committee further urges the Congress to act expeditiously to make available the additional $1.2 billion appropriated for this program in FY87 to enable the States to fund ongoing construction projects.

Superfund

The Committee recommends that $1.7 billion be made available for emergency response, remedial action and related activities and for the funding of the Agency for Toxic Substances and Disease Registry (ATSDR) under the Superfund Amendments and Reathorization Act of 1986 (SARA).

The Congress, with substantial personal input from the Administrator of the Environmental Protection Agency, enacted SARA in an effort to mitigate, if not eliminate, the adverse public health and environmental effects of sites contaminated with hazardous substances. The Congress provided a total of $8.5 billion over five years (or $1.7 billion per year) as a committment to the American people that this major national problem will be addressed. The Congress further provided that of the $8.5 billion, $7.25 billion was to be raised for the Fund through taxing mechanisms and the remaining $1.25 billion was to be provided through general revenues.

The original 1980 Superfund statute provided only $1.6 billion. Along with SARA's expansion of the fund comes a major expansion of the program itself. The Environmental Protection Agency (EPA) is expected to perform over eight hundred preliminary site assessments by January 1, 1988. Individual site evaluations may be necessary for many of these sites by October, 1990. The Agency is required to commence 650 remedial investigations and feasibility studies (RI/FS) for the duration of SARA's authorization. In addition, EPA must, at a minimum, commence 375 remedial (cleanup) actions within five years according to new, stringent cleanup standards.

SARA also establishes a new, major health protection program which will require health assessments for Superfund sites and provide major new and independent responsibilities for the Agency for Toxic Substances and Disease Registry in the Public Health Service. Among other new requirements are a comprehensive Right-to- Know program, technical assistance grants, research and development programs to develop alternate treatment technologies, and worker training and education programs.

The President's budget assumes a FY 1988 program level of $1.6 billion, of which nearly $400 million would be a carry over from funds not spent of the $1.4113 billion which the Congress appropriated for FY 1987. By appropriating almost $300 million below the annual $1.7 billion average, the Congress already recognized that EPA required a year of start-up time to get the new program up to speed. During that year the Agency has been working to implement the program through regulation and otherwise. It has also been attempting to perfect its contracting mechanisms. No further slowdown of the program is acceptable.

The Agency should be in position to utilize the full annual average appropriation in FY 1988. Indeed, in testimony on EPA's budget before the Committee, the EPA Administrator stated that he thinks that the Superfund budget may require up to $9 billion over the five year reauthorization period. The Committee insists that the commitment to resolve the hazardous substance contamination problem made by the Congress and the Administration not be broken and that the Environmental Protection Agency be directed to utilize all of those FY 1987 funds which were appropriated to it.

The Committee also rejects the notion contained in the President's proposal that general revenue funds not be utilized in accomplishing the goals and requirements of the Act. Failing to appropriate the general revenue fund authorization would reduce the program by $1.25 billion (or approximately 15%) over five years, making it not an $8.5 billion program as enacted, but rather a $7.25 billion program. That breaks faith with the American people and will only add a greater burden to a future generation of Americans. Therefore, the Committee recommends that $250 million of the FY 1988 Superfund appropriation consist of general revenue funds.

Community Right- to- Know Program

Title III of SARA established a comprehensive, federal Community- Right- to Know program. The program consists of emergency planning measures designed to prevent accidental chemical releases from occurring, and to assure effective response in the event of such accident. The program also requires facilities to report on their emissions into the environment. Title III requires a significant commitment of Agency resources and imposes rigorous deadlines for meeting a variety of large tasks, including collecting and disseminating information, performing complex rulemakings relating to the health and environmental effects of large numbers of substances, processing petitions relating to such covered substances, developing trade secret regulations, and studying ways to detect and prevent extremely hazardous releases. As the testimony and responses of the Administrator before the Committee underscored, some uncertainty exists over the source of funding for the Right-to- Know program. Whether or not the Title III program is funded from the Superfund appropriation, the Committee is firm in its commitment to assuring the full funding of this important new effort, at least at the levels proposed by the Agency and the President's budget.

Agency for Toxic Substances and Disease Registry

Section 111(h) of SARA authorizes $50 million in FY88 to support the functions and activities of the Agency for Toxic Substances and Disease Registry (ATSDR). It is the intent of Congress that this money be appropriated directly to ATSDR. In preparation of subsequent budget requests, the ATSDR budget should not be subject to EPA review or amendment.

CORPS OF ENGINEERS

The Committee recommends a total program level for the Corps of Engineers of $3,596,000,000. This is $75 million above the Administration proposal, and $61 million above the Congressional Budget Office current services level.

The Administration has proposed a Fiscal Year 1988 budget for the Corps of Engineers which generally supports and reflects the agreements which were reached between the White House and the Congress with the enactment of P.L. 99-662, the Water Resource Development Act of 1986.

The Committee is concerned with the Administration's budget for the Corps in one major respect. The Water Resource Development Act of 1986 was more than a "cost-sharing and user-fee" bill. Water programs and project-related provisions in this legislation were intended to direct the Corps of Engineers toward a water resources development program more responsive to current needs and environmental sensitivities. None of these initiatives are supported in the Administration's proposed budget.

Examples of important provisions and programs in P.L. 99-662 which are not funded include: the environmental mitigation trust fund, dam safety matching grants to the States, dam safety research, development and training, river ice management and research, bank stabilization on the Missouri River, the Cross

Florida National Conservation Area, Chesapeake Bay shoreline repairs, the Bay of Fundy hydropower impact study, St. John's River, Maine demonstration project, the Clean Lakes program, the New York Barge Canal, the Great Lakes water levels and consumptive use studies, the New York Bight study, a program for the development of wetlands in the Lower Mississippi Valley, or the Louisiana shoreline erosion study. The Administration has programed only $4 million for activities outlined in the Upper Mississippi River Master Plan, which, together with the construction of the second lock chamber at Lock and Dam 26 form an integrated development and management plan for the Upper Mississippi River.

These initiatives are at the heart of a new Federal water resource development program which focuses on emerging regional issues, and which directs the activity of the Corps of Engineers into more environmentally progressive activities. As such, they deserve the highest priority attention of the Congress. Therefore, the Committee recommends that $75 million be added to the Administration budget for the purpose of carrying out these important programs.

The Committee is pleased to note that the enactment of policy reform legislation in the 99th Congress (P.L. 99-662) has removed much of the controversy which has characterized the debate over the Corps budget in the recent past. The

Administration's budget for the Corps fully implements the new cost sharing and user fee provisions of P.L.99-662.

Fuel taxes collected from barge operators and deposited into the Inland Waterway Trust Fund will provide one- half of the cost of constructing seven inland lock replacements. In FY 1988 these fees will infuse $38 million into the Corps program.

The ad valorum fee imposed by P.L. 99-662 on all cargo utilizing U.S. ports will provide 40% of the cost of maintaining all of the nation's channels and harbors. In FY 1988 this fee will provide approximately $149,000,000 to the Corps program for channel and harbor maintenance.

The proposed budget for the Corps of Engineers also includes funds for 71 new water projects throughout the country. These projects were initiated in FY 1987, or will be initiated in FY 1988. The application of the cost sharing principles in P.L. 99-662 will result in the contribution of approximately $250,000,000 by local project sponsors toward the construction of these projects in FY 1988 alone.

For years, critics of reform have maintained that the imposition of new cost sharing requirements would put an end to water resource development. Instead, the strong program of new construction starts reflected in the budget make it clear that these new requirements are the cornerstone of a revitalized Corps program.

The Committee urges the Administration to proceed toward the implementation of the Water Resource Development Act to the fullest extent possible, and plans to conduct oversight hearings on the implementation of this important legislation later in this session of Congress.

FISH AND WILDLIFE SERVICE

Summary

The President's fiscal year 1988 budget request for appropriations to the U.S. Fish and Wildlife Service programs within the Committee's jurisdiction is $291,505,000, an 18 percent reduction of $62,075,000 from the appropriations enacted by Congress for the current fiscal year 1987. The proposed transfer of $25,000,000 from the Sport Fish Restoration Account to the Resource Management programs, which increases the appropriations request for fiscal year 1988 to $316,505,000, should not be accepted. In addition, the President's proposal to rescind $43,700,000 for the current fiscal year 1987 is fiscally and environmentally unsound and should not be accepted. The Committee recommendation for the Fish and Wildlife Service programs subject to appropriations (excluding land acquisition from the Land and Water Conservation Fund) is $379,000,000, which is the current services level for fiscal year 1988. The total fiscal year 1988 budget request for the Fish and Wildlife Service, excluding land acquisition but including an estimated $338,648,000 million from permanent accounts, under the President's proposal and under the Committee's recommendation is $630.2 million and $717.7 million, respectively.

Background

The U.S. Fish and Wildlife Service has principal responsibility and authority for migratory birds, threatened and endangered species, certain marine mammals, and lands controlled by the Service under the Migratory Bird Treaty Act, the Endangered Species Act, the National Wildlife Refuge System Administration Act, the Fish and Wildlife Coordination Act and other statutes within the Committee's jurisdiction. The Fish and Wildlife Service manages a National Wildlife Refuge System consisting of 440 refuges, waterfowl production areas in 150 counties, and 58 wildlife management areas totaling 90.5 million acres. The Service also operates 71 fish hatcheries, 4 fish technology centers, 10 fish health centers and a national training center.

Despite the Fish and Wildlife Service's increasing responsibilities to manage and protect fish and wildlife and their habitats under these statutes, the President's budget proposal would rescind $43.7 million for fiscal year 1987 and further reduce the amount of funds appropriated for fiscal year 1988 to approximately the fiscal year 1980 level. The Committee recommendation is to reject the proposed rescission of $43.7 million in fiscal year 1987. Postponement of endangered species recovery actions and refuge and hatchery rehabilitation, maintenance and construction is fiscally and environmentally unsound.

The Committee recommendation of $379,000,000 for the Fish and Wildlife Service programs subject to appropriation (excluding land acquisition) is $62,495,000 higher than the President's budget proposal. However, the recommended funding level is only $22.6 million above the amount appropriated by Congress for fiscal year 1985, a 16 percent increase. When corrected for a projected increase in the cost of living from fiscal year 1985 through 1988 of 14 percent, the recommended funding level is only 2 percent above the fiscal year 1985 appropriation. The justification and allocation of the recommended funding for the Fish and Wildlife Service's programs for fiscal year 1988 is provided below.

Resource Management

The Resource Management category comprises the largest segment of the Fish and Wildlife Service budget. The fiscal year 1988 request for this category is $302.2 million, a decrease of $12.5 million from the amount appropriated for fiscal year 1987. However, the President's budget request for Resource Management includes $25 million from the Sport Fish Restoration Fund, an account which is solely within the jurisdiction of this Committee. We reject that proposed $25 million diversion in the strongest possible terms. The funds in the Sport Fish Restoration Account consist of excise taxes on fishing equipment and motorboat fuels which by law must be apportioned among the states to enhance sport fisheries management. Anglers and boaters strongly supported these taxes for that purpose. Any use of these tax receipts for other purposes contavenes congressional intent and our agreement with sportsmen and the states and, consequently, is unacceptable.

The Committee recommendation is to provide $343.4 million for Resource Management activities, which is $28.8 million above the fiscal year 1987 appropriation, $41.2 million above the President's fiscal year 1988 request, and $3.4 million above current services for fiscal year 1988.

Of that $28.8 million increase, it is recommended that the funding level for the endangered species program be raised by $10 million to $34.9 million. These additional funds should be used principally to enhance and expand present efforts to recover populations of threatened and endangered species to the point where those populations no longer require protection under the Endangered Species Act.

Additionally, the Committee recommendation is to provide $12 million for matching grants to the states under section 6 of the Endangered Species Act. This level is $7.7 million above the fiscal year 1987 appropriation and $12 million above the President's fiscal year 1988 request. The section 6 cooperative state grant program is a cost-effective mechanism to conserve endangered and threatened species because the states already have the physical facilities and personnel to undertake the necessary research and recovery actions.

The recommended levels for the Federal and state endangered species programs are consistent with the fiscal year 1988 level authorized in legislation (S. 725) amending the Endangered Species Act, which was approved by this Committee in the last Congress. The Committee will consider legislation again this year to extend and amend the authorization to appropriate funds under the Endangered Species Act.

Of the remaining $11.1 million increase in Resource Management activities above the fiscal year 1987 appropriation, it is recommended that $1 million be added to the Cooperative Research Unit program to provide the $5.5 million needed for the Fish and Wildlife Service to provide full scientific staffing for the Florida, Louisiana, Maine, Minnesota, South Dakota, Virginia and other Units in fiscal year 1988.

The Committee recommendation is to increase the fiscal year 1987 appropriation by approximately $2 million to coordinate management, monitor populations and conduct research on the more than 700 migratory bird species which are neither ordinarily hunted nor are threatened or endangered. An additional $2 million above the fiscal year 1987 appropriation also is recommended to increase the Fish and Wildlife Service's monitoring, research and remedial activities directed toward the effects of contaminants on fish and wildlife resources. It is further recommended that the fiscal year 1987 appropriation be increased by $4 million to implement the Fish and Wildlife Conservation Act of 1980 (P.L. 96-366). The authorization to appropriate funds under this Act to assist states in developing comprehensive plans for the conservation of fish and wildlife was extended by this Committee last year.

Finally, the remaining funding increase for fiscal year 1988 should be used to conduct research on wintering waterfowl needs and coastal wetlands losses, to implement the conservation provisions of the Food Security Act of 1985 (P.L. 99-198), and to develop fishery management plans for the 140 National Wildlife Refuges which are in need of fishery management plans.

Construction and Anadromous Fish

The Committee recommendation for Construction and Anadromous Fish in fiscal year 1988 is $20.8 million, which is $5.2 million below the current services level and $12.1 million above the President's request. Of the $20.8 million, it is recommended that $16.8 million be provided for construction. In addition to the projects identified in the Fish and Wildlife Service's budget request, particular attention should be paid to projects at Minnesota Valley and Cape Charles National Wildlife Refuges and at anadromous fish hatcheries in New England. The remaining $4 million recommended for this category should be made available under the Anadromous Fish Conservation Act to assist states with anadromous fish programs on the East, Gulf and West Coasts and to continue funding under section 7 of that Act to continue research on the causes of the decline in striped bass.

Land Acquisition

Because the Committee has jurisdiction over legislation authorizing establishment of National Wildlife Refuges and acquisition of endangered species habitats and wetlands, the following views are offered on appropriations for land acquisition by the Fish and Wildlife Service. The President's budget request proposes to rescind $26.8 million for land acquisition in fiscal year 1987 and proposes no new funding for acquisition of lands in fiscal year 1988, a decrease of $40.8 million from the fiscal year 1987 spending level. It is recommended that the land acquisition rescissions proposed for fiscal year 1987 be rejected and that acquisition in fiscal year 1988 to complete refuges and protect endangered and threatened species be continued at approximately the current services spending level. It is further recommended that additional funding be made available from the Land and Water Conservation Fund for acquisition of wetlands pursuant to the Emergency Wetlands Resources Act (P.L. 99-645).

Migratory Bird Conservation Account — Advance

Approximately $3.6 million remains available for appropriation to the Migratory Bird Conservation (Duck Stamp) Fund for wetlands acquisition under the Wetlands Loan Act. The President's budget does not request appropriation of any of these funds for fiscal year 1988. In fiscal year 1987, $7 million was provided. It is recommended that all of the remaining Wetlands Loan Act funds ($3.6 million) be advanced through appropriation, a decrease from the current services level of $3.4 million. The current rate of wetlands destruction and land price increase requires that we continue our wetland acquisition efforts.

National Wildlife Refuge Fund

Payments to counties containing Fish and Wildlife Service lands will total $10.2 million in the President's budget proposal for fiscal year 1988. Of this amount, $5.6 million is requested in appropriations and $4.6 million is available for obligation in net receipts from sale of timber, oil, gas, minerals, fur and grazing privileges. The President's appropriation request is $1.3 million above the anticipated fiscal year 1987 spending level.

The $10.2 million requested, however, will provide only 52 percent of the amount that the Fish and Wildlife Service is required to provide to the counties under the Refuge Revenue Sharing Act. Failure to provide full payment to counties has impeded Fish and Wildlife Service efforts to protect important migratory bird habitat in the prairie pothole region in the north central U.S. and deprives counties of the revenues to which they are entitled. Therefore, it is recommended that an additional $5.2 million be provided for payments to counties in fiscal year 1988. This increase in the Fish and Wildlife Service's appropriated payments to counties will provide 100 percent of the full payment due to counties.

Permanent Accounts

The President's budget request for fiscal year 1987 estimates that approximately $338.7 million will be available from permanent accounts, $48.4 million more than for fiscal year 1987. The request, however, as noted earlier, proposes legislation to divert $25 million from the states' Sport Fish Restoration Account to Federal programs within the Fish and Wildlife Service's Resource Management activities. Again, this proposed diversion would be a breach of faith with sportsmen and the states and should be rejected.

NUCLEAR REGULATORY COMMISISON

The Committee recommends $427.8 million for salaries and expenses of the Nuclear Regulatory Commission (NRC) for fiscal year 1988. This is the level of funding that the Commission originally requested from the Office of Management and Budget, that the Administration subsequently approved, and that the Commission has now requested from Congress. This request and recommendation represents an increase from the $401 appropriated to the Commission in fiscal year 1987 and a $0.8 million increase in current services.

The Committee recognizes the need to maximize efficiencies and economies from limited budgetary resources. The Committee believes, however, that these efficiencies and economies should not be achieved at the expense of programs that are vital to assuring that there is adequate protection for the public health and safety. The oral and written testimony before the Committee indicates that the requested funding level, although an increase from last year's appropriated level, is necessary and sufficient to provide the Commission with adequate resources to carry out its responsibility to protect the public health and safety.

Among the programs of particular interest, the NRC has important responsibilities under the Nuclear Waste Policy Act of 1982 (NWPA) regarding the storage, transportation, and disposal of spent nuclear fuel and high-level radioactive waste. The NRC must have the proper technical capabilities to provide comments to the Department of Energy on various aspects of the Department's program, to perform independent research on proper methods for the disposal, storage, and transportation of these materials, and to review license applications for transportation casks and facilities designed for the storage or permanent disposal of high-level waste. The Committee's recommended funding level should provide the Commission with adequate financial resources and personnel to meet these obligations in a timely manner.

The Commission also has the responsibility under the Low-Level Radioactive Waste Policy Amendments Act of 1985 to provide technical and licensing guidance for States that are developing new disposal facilities for low-level waste. It is extremely important for both the States and the NRC to meet the milestones set forth in this Act. The recommended budget should provide the Commission with the resources necessary for the NRC to meet its responsibilities under the Act in a timely manner.

This year's budget request is intended to reflect the transition in the main activities of the NRC from licensing new plants to monitoring the existing ones. Presently there are 107 plants licensed to operate, 18 plants under construction, and no applications for construction permits.

The Committee is interested in ensuring that the NRC reserach program consistently and efficiently contributes valuable information regarding the current state of nuclear safety. The NRC's proposed increase in funding for this research program in fiscal year 1988 should provide the Commission with the financial resources necessary to reverse the sharp reductions in the research budget that occurred over the past several years and thereby restore some of the capabilities of the NRC's research program.

The Committee will be closely monitoring the research program in particular with respect to the results of the increase in funding and of the NRC's internal staff reorganization. The Commission has testified that this reorganization will result in a research program that will be more coherent and better organized. It is crucial to nuclear safety and the future of the NRC's research program that the reorganization and the increased funding achieve their objectives.

The Administration has proposed that the NRC recover 50% of its budget from "user fees" to be assessed against the nuclear power plants that are licensed by NRC. The Committee is studying this proposal, but at this time is making no recommendation on the proposed increase.

Presently, the Commission is authorized under section 7601 of the Consolidated Omnibus Budget Reconciliation Act (COBRA) of

1985 (P.L. 99-272, 1986) to collect 33% of its budget from user fees. Pursuant to this authorization and the direction provided to the Commission in the legislative history of this provision, the NRC has promulgated regulations to collect such an amount of fees. These regulations provide that each power reactor is to pay approximately $950,000 per year.

A number of licensees have filed suit challenging NRC's regulations implementing section 7601 of the 1985 COBRA. The Committee is interested in the outcome of this litigation, since it may determine the ability of the Commission to collect any user fees under current law. Clearly, any consideration of additional user fees must take into account the validity of the present fees. The Committee thus will be following this issue closely.

The Committee also is interested in the extent to which the NRC may recover some or all of its costs associated with its responsibilities under the NWPA. The NWPA established the Nuclear Waste Fund to pay for all of the Department of Energy's expenses associated with the implementation of its program to find geologic repositories for spent fuel and high-level nuclear waste. The Nuclear Waste Fund is funded through a 1 mil per kilowatt-hour fee on electricity generated by commercial nuclear power plants and on a one-time assessment upon the Department of Energy for high-level waste generated in its defense programs. The principle underlying the Nuclear Waste Fund is that the beneficiaries of the activities generating nuclear waste should bear the costs of activities associated with the proper disposal of that waste.

The principle that the beneficiaries of waste generating activities should contribute to pay to costs of the activities necessary to properly dispose of the waste would appear to apply regardless of the person or agency incurring such costs. The Committee therefore is exploring the extent to which the NRC, in addition to DOE, should be able to recover its costs from the Nuclear Waste Fund or in some other manner.

The Commission has testified that the Department of Justice has advised the Office of Management and Budget that the Commission has the authority under the NWPA to collect its expenses from the Department of Energy. The Committee intends to closely examine the Justice Department's analysis and the Commission's and DOE's responses.

It is important to ensure that cost recovery by NRC for its high-level waste expenses will not compromise the NRC's independent role in the high-level waste program. DOE will eventually be submitting to NRC a license application for a permanent repository for high-level waste. Any cost recovery structure must provide this independence.

In addition to closely following the NRC's implementation of the NWPA, the Committee expects to continue its oversight of the Department of Energy's implementation of the high-level waste program. This program is necessary to ensure that the public health and safety and the environment is adequately protected from the hazardous properties of highly radioactive materials. The Committee anticipates further interaction with the Department of Energy with respect to this important program. Through this interaction the Committee will be providing the Department with direction and guidance for its implementation of this program.

TENNESSEE VALLEY AUTHORITY

The Committee recommends $106 million for fiscal year 1988 for the appropriated programs of the Tennessee Valley Authority (TVA). This represents the Congressional Budget Office's estimate of the amount necessary to provide a current services budget from fiscal year 1987. The Administration's request is for $72.8 million for fiscal year 1988.

The Committee on Environment and Public Works has consistently supported the programs of the TVA that benefit both the Tennessee Valley region and the entire nation. TVA's natural resources program includes activities aimed at flood control, preservation of natural resources and wildlife, groundwater protection, non-point source water pollution control, water quality control, and acid deposition studies and monitoring. These programs have nationwide application.

Accordingly, the Committee is recommending a funding level of $106 million.

GENERAL SERVICES ADMINISTRATION

The General Services Administration requests obligational authority in the amount of $2.935 billion in 1988 for the public buildings activities of the Public Buildings Service. This request represents an increase of $549 million over the 1987 level of $2.386 billion, or an increase of 23 percent in 1988, which contrasts sharply with the programs and budgets of numerous other agencies that fare less well.

Ironically, this multibillion dollar budget receives little attention each year in the congressional budget process. The activities of the program are funded through rent-like user fees levied on individual agencies that occupy space provided by GSA. Hence, budget authority for the program is dispersed in the administrative budgets of the numerous agencies. It is spread across every function of the budget and contained within each appropriation act. While these charges are minor items in the administrative budgets of each of the Federal agencies and therefore attract relatively little attention or scrutiny, in aggregate they approach $3 billion.

The Committee on Environment and Public Works has long supported legislation to require direct appropriations for the Public Buildings Service of GSA in much the same fashion required of most other Federal agencies. In past Congresses, the

Committee has reported and the Senate has passed legislation to do so, but it has not been enacted into law. Until then, budget authority will be scattered--not only in every appropriation act but also in every authorizing committee with jurisdiction over agencies that are housed by GSA.

COUNCIL ON ENVIRONMENTAL QUALITY

The budget request for the Council on Environmental Quality is $862,000 for FY88 compared to the FY87 appropriated level of $800,000. The increase is proposed to offset the costs associated with salary increases and building expenses. The Committee recommends that the Council be funded at the proposed level.

The Environmental Quality Improvement Act authorization lapsed last year. The Committee anticipates conducting oversight of the Council in preparation for reauthorization of the Act.

DISASTER RELIEF

The Federal Emergency Management Agency is requesting $125 million to fund activities under the Disaster Relief Act. This assumes a carrover of $104 million from FY87 and recovery of $20 million from prior year obligations for a total budget authority of $249 million. The Committee concurs with and recommends this level of funding.

The number and severity of disasters enabling states and localities to qualify for assistance under the Disaster Relief Act are impossible to predict. Therefore funding requests are based on historical data and are estimates of the demands that may be placed on the disaster relief fund. The Federal Emergency Management Agency is exploring several options to enable states to prepare for and manage disasters, reducing federal costs.

Budget Proposals to Save $1.1 Billion in 1988
(Proposed by Senators Stafford, Chafee Simpson and Durenberger)

	1987 Appropriation	Proposal for 1988	Difference (1987-88)
		(in millions of dollars)	
EPA Operating Programs	$1,494	$1,650	$ + 156
EPA Fees	0	- 50	- 50
Construction Grants	2,400	2,400	0
Superfund	1,411	1,700	+ 289
Underground Tank Fund*	50	75	- 47
Federal Highways**	13,000	12,350	- 650
Federal Highways***	922	800	- 122
Fish & Wildlife Service	355	355	0
Corps of Engineers	3,136	2,886	- 250
NRC	401	428	+ 27
NRC Fees	- 100	-200	- 100
TVA****	100	72	- 100
EDA	189	0	- 189
ARC	105	34	- 71
CEQ	0.8	0.9	0
			$-1,107 Savings from 1987 levels

* savings result from an increasing balance in trust fund
** highway spending within obligation ceiling only
*** projected highway spending outside ceiling
**** increase payback on debt by approximately $75 million yearly

Additional Views to the Environment and Public Works Committee Budget Proposal for Fiscal Year 1988
(Proposed by Senators Stafford, Chafee, Simpson, Durenberger)

EPA Operating Programs

The operating budget of the Environmental Protection Agency includes the various media programs authorized by the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, Safe Drinking Water Act, TSCA, FIFRA and other statutes. Major elements of this budget are salaries and expenses, research and development, abatement, and state grants.

After steep reductions in the early 1980s, the operating budget has to some extent been restored in the past few years.

For FY 1987 the Congress appropriated $1.494 billion which was $70 million more than the previous year. This amount included $50 million for the asbestos-in-schools abatement program which the President now proposes to rescind. Since it is unlikely that the Congress will approve the rescission that money will be available for distribution March 15.

For FY 1988 the President is proposing $1.489 billion, just $5 million less than Congress appropriated last year. However, this amount covers an 18% rent increase and a new charge of $44 million for Federal Employee Retirement so each of the media programs (with the exception of drinking water and pesticides) has seen a substantial reduction. In addition, the Congress has recently adopted amendments to the Clean Water Act, the Safe Drinking Water Act and Superfund which will impose significant new duties on the Agency. The drinking water needs are reflected in the President's request. Mr. Thomas indicated in testimony to the Committee that he will propose a supplemental for Clean Water by the end of March, although that does not mean that a supplemental proposal will be transmitted to the Congress.

The Agency asked the President for $1.651 billion for FY 1988. The OMB passback provided only $1.320 billion. If one takes the 1981 appropriation and projects it out through 1988 in dollars sufficient to offset inflation, the Agency would require $1.702 billion to keep pace with 1981 commitments.

Our alternative proposal recommends an appropriation for the EPA operating budget of $1.650 billion for 1988. This is the same amount which the Agency requested in its budget submission

and will allow EPA to aggressively implement the new programs which the Congress has authorized. This is the same as the Environment and Public Works Committee proposal.

Construction Grants

The Water Quality Act of 1987 reauthorized the wastewater treatment construction grants program with a gradual phase-out and conversion to a revolving fund. The authorized level for the program in the early years is $2.4 billion annually.

In 1986 only $1.8 billion was actually made available to the States for this program due to the delay in reauthorization. For 1987, $1.2 billion was made available in the Continuing Resolution with an additional $1.2 billion earmarked for appropriation, when the reauthorization process was completed. It is expected that the Congress will enact a supplemental this spring making the full $2.4 billion available for distribution in 1987. Although the President has not firmed up his request, it appears that he may submit a supplemental for $800 million in 1987.

The President has requested an appropriation of $2 billion for this purpose in FY 1988. That request was reflected in S. 76, the water renewal bill the Administration proposed.

Our alternative proposal recommends an appropriation of $2.4 billion for 1988 which is the level authorized in the recently enacted Water Quality Act of 1987. This is the same as the Environment and Public Works Committee proposal.

Superfund

The Superfund Amendments of 1986 authorized a five-year $8.5 billion program which included the 1986 fiscal year.

The program is financed by a tax on petroleum (8.2 cents per barrel domestic, 11.7 cents per barrel imported), a tax on chemical feedstocks (from $4.87 to $10.13 per ton) and a corporate minimum tax (.12 percent of alternative minimum taxable income in excess of $2 million). These taxes are projected to raise $713 million in FY 1987 and $1.136 billion in FY 1988.

In addition the Congress authorized an appropriation of $250 million each year from the general fund to be deposited in the Hazardous Substance Response Fund.

The appropriation for FY 1987 combined funds from both 1986 (which had largely not been spent due to the slowness of

reauthorization) and 1987. The total appropriation was $1,411,300,000 for the two-year period.

The 1988 budget submission indicates that EPA plans to spend only $1.148 billion in 1987 and will carry over $378.6 million to 1988. The President requests new budget authority of $1.2 billion for Superfund in 1988 which along with the carry over funds will provide a total of $1.578 billion in 1988 spending. In testimony before the Committee Mr. Thomas indicated that this was all that the Agency could reasonably spend in 1988.

In the outyears, 1989 and 1990, the President's budget indicates requests of $1.3 billion and $1.5 billion, respectively.

The OMB passback to EPA indicates that the Administration will oppose any appropriation from the general fund to support Superfund. It is not possible to reach the five-year target of $8.5 billion without a general revenue appropriation.

Our alternative proposal recommends a 1988 appropriation of $1.7 billion which is precisely one-fifth of the five year authorized amount and will assure that general funds are committed to the program in each year, rather than after the taxes have been exhausted. This is the same as the Environment and Public Works Committee proposal.

Leaking Underground Storage Tanks

In the Superfund Amendments of 1986 the Congress enacted a new program to clean up leaks from underground petroleum storage tanks. The program was authorized at a level of $500 million over a five-year period. It is funded by an increase in the gasoline motor fuels tax of 0.1 cents per gallon which went into effect on January 1, 1987.

It is estimated that the tax will raise $88 million in FY 1987 (it is in effect for only part of the year) and $130 million in FY 1988.

At EPA's request a $50 million appropriation for this program was made in the 1987 Continuing Resolution. That money is now available, but will not be distributed to the States for response actions until after May 1, 1987.

The President's budget request for 1988 proposes that only $25 million of the existing appropriation be spent in 1987 and that the other $25 million be carried over until 1988 with no new appropriation. When questioned about this proposal at the Committee's budget hearing, Mr. Thomas indicated that he would not have a firm idea for the needs of this program until the summer of 1987 and at that time, he would revise the 1988 request to reflect an appropriate spending level in that year. He apparently intends to spend more than the $25 million carry over, but is not prepared to give a specific target at this time.

Our alternative proposal recommends an appropriation of $75 million for the leaking underground storage tank response program in 1988. Even at this rate of outlay, the unexpended balance in the trust fund for this program will increase. This proposal is $25 million less than the Environment and Public Works Committee proposal.

Nuclear Regulatory Commission

The annual appropriation for NRC has declined slightly over each of the last several years to a level of about $400 million. The FY 1987 appropriation for the Agency was $401 million.

For 1988 the NRC requested and the President proposed an increase of $26.8 million which would take the budget total to $427.8 million.

Over the last three years savings in the NRC program have focused on fees to be recovered from the regulated facilities. In the reconciliation process for 1985, the House proposed that 100% of NRC appropriation be recovered through fees. The conference settled on 33% of costs which would be approximately $133 million annually. Although the House included fee increases in the 1986 reconciliation legislation, no agreement was reached in conference and the 1985 mandate for 33% remains in place.

NRC indicated in budget hearings this year that it expected to raise approximately $1 million from each commercial power reactor during the 1987 fiscal year which would provide about $100 million in actual revenue.

For 1988 the President is proposing that the NRC recover 50% of its budget from fees and estimates that such a requirement would increase revenues by $100 million over 1987.

Our alternative proposal recommends that the appropriation for NRC be increased to $427.8 million in 1988 and that the cap on fees which is currently at 33% be raised. At this point the target for additional fee revenue in 1988 is $100 million, although that amount may be offset by savings in other programs. The Environment and Public Works Committee proposal has no specific provision for NRC fees.

Fish and Wildlife Service

In FY 1987 the Congress appropriated $355.4 million (excluding dedicated trust funds and land acquisition). The President's 1988 budget request includes a substantial rescission of funds for 1987 and new budget authority of only $293.2 million.

Our alternative proposal for 1988 would provide appropriations of $355.4 million for the Fish and Wildlife Service (same as the 1987 amount) and substantial increases in outlays from the dedicated funds (which are supported by offsetting receipts and would thus have no effect on the deficit). This is $24 million less than the Environment and Public Works Committee proposal.

Council on Environmental Quality

This program had a 1987 appropriation of $800,000. The Council and its staff implement the NEPA environmental impact statement requirement, publish an annual environmental quality assessment and mediate environmental disputes between Federal agencies.

The President has requested a modest increase in the CEQ budget for 1988 to $862,000 which is in both the alternative and the Committee proposal.

Federal Highway Administration

The Federal-aid highway appropriation is largely controlled by an obligation ceiling which limits the amount of spending in each year regardless of the authorized levels and revenues to the trust fund.

In 1987 the obligation ceiling was set by the Appropriations Committee in the Continuing Resolution at $13.0 billion. Because a new highway authorization bill has not yet been enacted, FHA now estimates that 1987 obligations may be only $11.8 billion, but they will likely climb back toward the full amount once the bill is passed.

For 1988 the President is proposing an obligation limitation of $12.787 billion.

S. 387 which has been adopted by the Senate provides an obligation ceiling quite a bit lower than the President's proposal. That bill includes a ceiling of $12.350 billion.

In addition to spending under the ceiling certain items traditionally fall outside the ceiling. In 1987 spending outside the ceiling (for minimum allocation and emergency relief, principally) is projected at $922 million. There are various projections of the 1988 figures for these two programs, but FHA is currently estimating the Senate bill, S. 387, at approximately $800 million outside the ceiling amount.

Our alternative budget proposal provides for an obligation ceiling of $12.350 billion in 1988 as the Senate adopted in S. 387 with an estimate of the outside ceiling expenditures of $800 million. This is the same as the Environment and Public Works Committee proposal.

Corps of Engineers

As a result of new construction starts the budget for the Corps of Engineers has been accelerating rapidly over the past few years. In 1987 the Congress appropriated $3.117 billion for the Corps (net of offsetting receipts). The President's request for 1988 includes another substantial increase in the Corps budget.

Our budget proposal would include a savings of $250 million in 1988 as against the 1987 appropriation. With spending of $2.884 billion, this budget would remain substantially above the amount spent in FY 86, the year just ended and would provide adequate support for the many urgent flood control and navigation projects which were recently authorized. This proposal is $712 million less than the Environment and Public Works Committee proposal.

General Services Administration

The General Services Administration requests obligational authority in the amount of $2.935 billion in 1988 for the public buildings activities of the Public Buildings Service. This request represents an increase of 23 percent in 1988, which contrasts sharply with the programs and budgets of numerous other agencies that fare less well.

Ironically, this multibillion dollar budget receives little attention each year in the congressional budget process. The activities of the program are funded through rent-like user fees levied on individual agencies that occupy space provided by GSA. Hence, budget authority for the program is dispersed in the administrative budgets of the numerous agencies. It is spread across every function of the budget and contained within each appropriation act. While these charges are minor items in the administrative budgets of each of the Federal agencies and therefore attract relatively little attention or scrutiny, in aggregate they approach $3 billion.

The Committee on Environment and Public Works has long supported legislation to require direct appropriations for the Public Buildings Service of GSA in much the same fashion required of most other Federal agencies. In past Congresses, the Committee has reported and the Senate has passed legislation to do so, but it has not been enacted into law. Until then, budget authority will be scattered--not only in every appropriation act but also in every authorizing committee with jurisdiction over agencies that are housed by GSA.

Our alternative proposal is not seeking savings as against the 1987 appropriated amounts, since they would be reflected in the budgets for each of the agencies and not in the GSA account. Nevertheless, there are possible savings as against the President's requested increase which should be explored.

Tennessee Valley Authority

In addition to its power programs, TVA receives direct appropriations from the Federal government for natural resource and economic development efforts. In 1987 the appropriations for these purposes was $100 million. For FY 1988, the President is proposing a reduction of $28 million for a total of $72 million in appropriated funds.

In addition to the appropriated accounts, TVA also has an outstanding debt with the Federal government of approximately $550 million. This is not simply borrowing authority through the Federal Financing Bank, but direct obligations to the United States Treasury. TVA is currently repaying that debt at a rate of about $20 million per year, plus interest. It appears that the repayment rate could be substantially increased (to approximately $100 million per year) without significantly affecting the electric rates for TVA consumers which are already the second lowest in the Nation.

Our alternative proposal recommends that the appropriation for TVA for 1988 be $72 million as the President has recommended. In addition, the proposal provides for an acceleration of repayment of TVA's debt by approximately $75 million per year for a total savings of $100 million. This appropriation proposal is $34 million less than the Environment and Public Works Committee proposal; the Environment and Public Works Committee proposal provides for no repayment acceleration.

Economic Development Administration

For FY 1987 the Congress appropriated $189 million for the Economic Development Administration. The President's budget for FY 1988 proposes to rescind $169 million of the 1987 appropriation and to terminate the program altogether in the first quarter of 1988.

Our alternative proposal recommends that EDA be phased out in the first quarter of 1988 as the President proposes. Staff of EDA would be transferred to the Secretary's office and outlays for the program would continue during a period of program completion, but no new budget authority would be provided. The Environment and Public Works Committee proposal makes no recommendation for EDA.

Appalachian Regional Commission

For FY 1987 the Congress appropriated $105 million to implement the programs of ARC. For 1988 the President is proposing that the program be terminated and that $31 million of the 1987 appropriation be rescinded. The Governors of the Appalachian Region have requested $319 million for the 1988 program.

Of the amounts appropriated for 1987, $67.3 million was set aside for highways and $32.6 million was made available for area development programs.

Our alternative proposal recommends that the highway programs of ARC be folded into the highway programs of DOT and that only the economic development efforts of the Commission be continued. The proposal includes $34 million for this purpose in 1988. The Environment and Public Works Committee proposal makes no recommendation for ARC.

LLOYD BENTSEN, TEXAS, CHAIRMAN

SPARK M. MATSUNAGA, HAWAII
DANIEL PATRICK MOYNIHAN, NEW YORK
MAX BAUCUS, MONTANA
DAVID L. BOREN, OKLAHOMA
BILL BRADLEY, NEW JERSEY
GEORGE J. MITCHELL, MAINE
DAVID PRYOR, ARKANSAS
DONALD W. RIEGLE, JR., MICHIGAN
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
TOM DASCHLE, SOUTH DAKOTA

BOB PACKWOOD, OREGON
BOB DOLE, KANSAS
WILLIAM V. ROTH, JR., DELAWARE
JOHN C. DANFORTH, MISSOURI
JOHN H. CHAFEE, RHODE ISLAND
JOHN HEINZ, PENNSYLVANIA
MALCOLM WALLOP, WYOMING
DAVID DURENBERGER, MINNESOTA
WILLIAM L. ARMSTRONG, COLORADO

WILLIAM J. WILKINS, STAFF DIRECTOR AND CHIEF COUNSEL
MARY MCAULIFFE, MINORITY CHIEF OF STAFF

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510

February 25, 1987

Hon. Lawton Chiles
Chairman, Committee on the Budget
U.S. Senate
Washington D.C.

Dear Mr. Chairman:

This letter transmits the views and estimates of the Committee on Finance with respect to those elements dealt with in the Congressional Budget which fall within its jurisdiction. This constitutes the report of the Committee as provided for in section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended.

Overall budgetary situation.--Under the Balanced Budget and Emergency Deficit Control Act of 1985, the Congress is mandated to seek certain levels of deficit reduction leading ultimately to a balanced budget in 1991. The projections of the Congressional Budget Office indicate that the President's budget proposals fall far short of meeting the fiscal year 1988 deficit target. Given this situation, the Committee believes that this year's annual report to the Budget Committee would not be helpful to your deliberations if it proceeded from the narrow context of the specific proposals and amounts contained in the OMB budget documents. Instead the Committee would like to share with the Budget Committee its views and estimates on the broader budgetary issues as they appear to the Committee on Finance at this time. We hope these comments will be helpful to the Budget Committee as it determines its recommendations to the Senate as to the deficit reduction objectives to be assigned by the budget resolution to the Committees of the Senate.

Importance of reducing the deficit.--The Finance Committee is responsible for legislation which provides funding for the government through the imposition of taxes and through borrowing from the public. For this reason, the Committee is keenly aware of the importance of bringing under control the unacceptable levels of deficit financing which have prevailed in recent years. In the absence of serious deficit reduction, the statutory debt limit will have to be raised above $3 trillion by the end of the 3-year period covered by this letter. The Committee believes it is essential to deal seriously and promptly with this situation. Accordingly, the Committee looks forward to working with the Budget Committee in developing and implementing a realistic, balanced, and serious Congressional budget plan for substantially reducing the deficit in the coming fiscal years. As it has consistently done since the adoption of the Congressional Budget Act over ten years ago, the Committee on Finance intends to take seriously its obligations to respond to the directives of the Congress pursuant to the concurrent resolution on the budget. The Committee does, of course, reserve the right to determine how it will within the matters under its jurisdiction arrive at the necessary legislative recommendations to carry out the budgetary objectives of the budget resolution.

General comments on Finance Committee expenditure programs.--The Committee on Finance recognizes that each of the Committees of the Senate has jurisdiction over programs which meet important national needs. Deficit reduction is a matter of high priority, but government does have a responsibility to develop and maintain adequate resources to meet its obligation to provide essential services in a number of areas. In developing the budget resolution, the Congress will have to seek deficit reduction without abandoning fundamental responsibilities and in a manner which provides a reasonable balance among the priorities served by the different jurisdictions of committees.

In the case of the Finance Committee, the greatest part of the Committee's authorizing and spending jurisdiction involves expenditures which are either vital to the maintenance of the national revenue collecting capacity or involve basic income and health support systems which are essential to the economic and physical well being of individuals. Over the past several years, the Committee has examined and reexamined these programs. Administrative reforms have been enacted; in some cases new and more effective financial structures have been implemented; changes in programs have been made to eliminate certain lower priority or less targeted benefits. While it may be a truism that ways to economize can always be found, there is also a law of diminishing returns. At some point significant additional savings can be generated only if Congress determines that it is necessary to reduce the basic levels of protection afforded by these programs.

Social security.--By law, the social security cash benefits programs (Old-age, survivors, and disability insurance) are excluded from the Federal budget and social security provisions are not permitted to appear in budget reconciliation bills. This reflects the fact that the social security program is a self-contained, self-financing system. It has been the judgment of the Congress that it is inappropriate to make reductions in this program solely to achieve general budgetary objectives. Through the year 2000 (and beyond), this program will in fact show a significant annual surplus which will substantially reduce the overall budget deficit as measured for purposes of the current law deficit targets. Without counting social security, the fiscal year 1988 deficit would be increased by some $40 billion.

Other income security programs.--Also in the Finance Committee's jurisdiction are such programs as unemployment compensation, aid to families with dependent children, child support, and trade adjustment assistance. The major part of the unemployment compensation program--although on the Federal budget--is financed from State imposed payroll taxes and controlled by State-enacted and administered benefit provisions. Both the Administration and the Committee will be addressing the question of how our welfare system should be structured to improve the well-being of families with children. In addition, the Administration has proposed a new initiative in worker adjustment assistance. The nature of all of these initiatives has not yet been determined, but the Committee expects that any additional costs can be offset in these or other areas so as to avoid any negative budgetary impact.

Health programs.--The major area of Finance Committee deficit reduction proposed in the President's budget involves the health programs of Medicare and Medicaid. The Committee has not yet had the opportunity to give all of these proposals the careful scrutiny that would be appropriate before endorsing or rejecting them on the merits. In general, however, the Committee notes that of the total $6.4 billion in proposed deficit reduction, about $1.5 billion would be achieved by requiring State governments to assume costs which are now Federally financed. $ 350 million represents a direct increase in beneficiary costs. A substantial part of the remaining expenditure is, at least nominally, achieved by reducing reimbursement to providers. The Committee recognizes and shares the concern over the growth which has taken place in health program costs. The Committee intends to give careful consideration to proposals which have been made to constrain these costs and does expect to be able to achieve additional savings. At the same time, the Committee believes that, in establishing expected savings for the program in the budget resolution, Congress must consciously consider the extent to which such savings will come from cost shifting rather than cost constraint. Even measures to constrain provider reimbursement are likely, at least at some level, to be translated into reduced services or cost shifting to beneficiaries or other consumers.

The Committee plans to undertake several legislative initiatives relating to health care. Specifically, the Committee expects to act on legislation to provide additional financial protections for individuals and families that experience catastrophic costs associated with prolonged illness. The Committee also expects to continue its ongoing efforts to expand access to services for ~~low~~ income infants and children. Finally, the Committee has undertaken a series of hearings on the issue of long term care and access to care. While the precise nature of a long term care initiative has not been determined, it is likely that the Committee will develop legislation aimed at improving the quality of care provided in institutional settings.

Recognizing the magnitude of the current Federal deficit, the Committee expects to be able to accomplish these initiatives in a way that will not require major new Federal expenditures without corresponding budgetary offsets.

Customs service.--In prior years, the Administration proposed that it be authorized to establish a customs user fee to cover the costs incurred by the Customs Service in the processing of imports. In its current budget, the Administration proposes an expansion and extension of these fees which were enacted by the Congress last year. While imposing customs user fees may have the effect of reducing the deficit, the fees' main purpose is to offset the costs of administering the commercial operations of the Customs Service. The Committee remains concerned that the Customs Service provide a high level of service for commercial operations as well as for drug enforcement.

In an attempt to assure that these fees would not, in effect, be simply swallowed up in the general budget, the legislation last year established a special account in such a way that these funds should have been accounted as offsetting receipts (as they were proposed to be in prior Administration budgets). The Committee has some concern that the technical accounting adopted by the Congressional Budget Office does not treat these fees as offsetting receipts contrary to the clear legislative history, and this could raise some question as to whether the intent of last year's legislation that the fees be devoted to providing for the commercial operations of the Customs Service is being followed even with respect to the current-law level of fees. Any consideration of proposals to expand the fees would certainly require a careful examination of this matter.

Revenues.--The President's budget proposes approximately $6 billion in new revenues within the jurisdiction of the Finance Committee. The new revenues would be achieved through a variety of miscellaneous changes in highway taxes, social security taxes, medicare taxes, and similar revenue sources.

More study will be needed before the Committee is prepared to take a position on the merits of the Administration's proposals, or on the merits of alternative proposals. However, concern has been expressed on the Committee that increasing dedicated taxes and user fees to reduce the deficit, without relation to the needs of the programs funded by such taxes, threatens the basic policy behind user-funded programs.

In addition, the Committee wishes to note that the sweeping income tax reform legislation enacted last year has just begun to go into effect. One of the important goals of that legislation was to establish stability in the income tax laws. Accordingly, the Committee would be reluctant to revisit the basic policy decisions underlying the Tax Reform Act of 1986 as part of this year's budget process.

As in the past, the Committee is prepared to act responsibly pursuant to the directives of the Congress contained in the concurrent resolution on the budget, working together with the other Committees of the Senate. We must emphasize, however, that the Finance Committee will insist on maintaining the flexibility to choose among all available policy options to meet its obligations under the budget process, rather than being limited to a specific set of options.

Interest--The interest function in the budget includes interest on the public debt, interest payments on certain tax refunds, and offsetting interest receipts. The greatest part of this expenditure item relates to accumulated deficits although the amount is also affected by interest rates, and to a lesser extent, by the current year budget deficit. Although this expenditure item falls within the general legislative jurisdiction of the Committee on Finance, it is affected by the total level of governmental spending.

Public Debt Limit.--The debt limit under existing law is temporarily set a $2.3 trillion. As of May 15, this statutory limit will automatically revert to a level of $2.111 trillion which is below the current level of outstanding debt subject to the limit. The level of debt continues to mount at a serious rate. The Congressional Budget Office baseline projections would indicate a debt level in excess of $3 trillion by the end of the 3-year period covered by this report (i.e. by the end of fiscal 1990). The Administration budget projects a $220 billion increase in debt during fiscal 1988. As with interest, this budgetary item falls within the legislative jurisdiction of the Committee on Finance but is actually controlled by the overall general governmental budget.

Sincerely,

Lloyd Bentsen

Lloyd Bentsen
Chairman

CLAIBORNE PELL RHODE ISLAND CHAIRMAN

JOSEPH R BIDEN JR DELAWARE
PAUL S SARBANES MARYLAND
EDWARD ZORINSKY NEBRASKA
ALAN CRANSTON CALIFORNIA
CHRISTOPHER J DODD CONNECTICUT
JOHN F KERRY MASSACHUSETTS
PAUL SIMON ILLINOIS
TERRY SANFORD NORTH CAROLINA
BROCK ADAMS WASHINGTON
DANIEL P MOYNIHAN NEW YORK

JESSE HELMS NORTH CAROLINA
RICHARD G LUGAR INDIANA
NANCY L KASSEBAUM KANSAS
RUDY BOSCHWITZ MINNESOTA
LARRY PRESSLER SOUTH DAKOTA
FRANK H MURKOWSKI ALASKA
PAUL S TRIBLE JR VIRGINIA
DANIEL J EVANS WASHINGTON
MITCH McCONNELL KENTUCKY

GERYLD B CHRISTIANSON STAFF DIRECTOR
JAMES P LUCIER MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510

February 20, 1987

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This letter is in response to your request concerning estimated spending levels for programs and activities under the jurisdiction of the Foreign Relations Committee. In your letter of February 3 you request that we address two areas of major policy changes: new initiatives and deficit reduction.

As you may know, the Committee on Foreign Relations begins its review of the Administration's fiscal 1988 requests for foreign assistance, multilateral development banks, State Department, the United States Information Agency and the Board for International Broadcasting on February 24 with testimony from Secretary of State Shultz. Our markup for foreign assistance legislation is scheduled for March 18 and the Foreign Relations authorization markup for March 31. In light of the fact that the Administration has not yet submitted a bill to the Congress requesting authorization for any of these programs, and in light of the fact that our Committee review process has not yet formally commenced, it would be difficult, if not unwise, for me to attempt to identify likely new initiatives or areas targeted for deficit reduction.

It is important to note, however, that the Administration's foreign assistance request is 13.5 percent above current levels of funding. Secretary of State Shultz has justified the increase citing two years of "drastic, indiscriminate budget reductions" in these programs which have essentially forced the United States "to play Russian roulette as we shortchange our various foreign policy initiatives." While the Committee on Foreign Relations is unlikely to approve substantial increases in foreign aid this year, neither is it likely to impose deep cuts in important security and humanitarian programs that are vital to U.S. foreign policy objectives.

In addition to the bilateral aid request, the Administration is seeking authorization to participate in as many as four new replenishments for multilateral development banks: the International Development Association (IDA), the

African Development Bank (AFDB), the Asian Development Fund (ADF), and the InterAmerican Development Bank (IDB). These requests, combined with on-going U.S. commitments to multilateral development banks will result, if approved by the Congress, in significant increases this fiscal year. In new budget authority the numbers would double from $949 million in FY 1987 to an estimated $1.8 billion for FY 1988. While the Committee will look for ways to economize on these commitments, and will certainly search for offsetting reductions elsewhere within the Function 150 accounts, it would be imprudent to indicate that actual net savings will be effected by our actions.

Similarly, the State Department's fiscal 1988 request represents an 18 percent increase above current levels of funding. While your Committee has identified substantial growth in the categories of foreign buildings and diplomatic security, our Committee wants to be sensitive to the need for protecting our Foreign Service overseas while maintaining posts at full operational levels as well. The requested budget increases for FY 1988 for the United States Information Agency and the Board for International Broadcasting are 11 percent and 45 percent respectively. Obviously a great deal of careful analysis will be done prior to Committee review and approval of any increases for these agencies.

Overall the programs within Function 150 that come under the jurisdiction of the Committee on Foreign Relations are roughly 2 percent of the federal budget. In my view, while reductions can and should be made in some of these new requests, serious deficit reductions cannot be accomplished by further cuts in these accounts. The current budget dilemma can only be resolved when the Administration is willing to address the revenue side as well as the spending side of the budget ledger.

Our Committee stands ready to cooperate with you and your staff as we proceed these next several months.

With every good wish.

Ever sincerely,

Claiborne Pell
Chairman

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

February 25, 1987

The Honorable Lawton Chiles Chairman Committee on the Budget United States Senate Washington, D. C. 20510	The Honorable Pete V. Domenici Ranking Minority Member Committee on the Budget United States Senate Washington, D. C. 20510

Dear Lawton and Pete:

Pursuant to Section 301 (d) of Congressional Budget Act, we are submitting the views of the Committee on Governmental Affairs with respect to federal spending in our jurisdiction.

As Chairman and Ranking Minority Member of the Committee, we are deeply concerned about the size of the deficit. And, we will try to find as much common ground as possible between the majority and minority on this Committee to move forward spending reduction measures. We have reviewed the programs directly under the Committee's jurisdiction and are in the process of consulting with members of our Subcommittees about their views of the President's fiscal year 1988 budget proposals. Clearly, not every request made by the White House will be accepted. In fact, similar requests have been made in past years and rejected by the Committee.

We recognize that with the requirements of the Gramm-Rudman deficit reduction law, the Committee may need to revisit certain budget proposals. However, our job is to work from the President's plan and fashion a budget that reflects our priorities. In this regard, we believe that any recommendations put forward this year that affect federal workers and retirees should be measured against the fact that this group has already shouldered a significant amount of the deficit reduction burden.

Regarding other issues of interest, we would like to point out that the Governmental Affairs Committee's jurisdiction is very broad with respect to government oversight. We intend to exercise this authority vigorously, and pursue a variety of measures to reduce federal spending on a permanent basis through increased efficiency and economy in government.

Already, the Committee has held a hearing with the Comptroller General that highlighted several significant fiscal concerns. Specifically, the Comptroller testified about the inability of the U.S. Air Force to account for billions of dollars of inventory in spare parts and ammunition, and the General Accounting Office's (GAO) lack of means to assess how some foreign policy appropriations are being spent. Over the years, the GAO has performed numerous audits of executive branch agencies that have uncovered embarrassingly wasteful expenditures at best, sometimes even with criminal implications. We intend to strengthen the GAO's hand in investigating how federal dollars are being spent and whether the money is being spent for the purposes mandated by Congress.

The Committee intends to examine the potentially significant savings which could result from the comprehensive overhaul of government's financial management systems. Our systems are outdated and inefficient. While they are costly to operate, they often do not provide accurate or timely data. Moreover, the multitude of different systems impedes comparability of actual costs in a trillion dollar federal government operation.

In addition, the Committee has already held a hearing on the efforts of the independent offices of Inspectors General in fighting waste and mismanagement. Recently, the President's Council on Integrity and Efficiency, reported that the 19 statutory Inspectors General have saved the American taxpayers over $71 billion in the last five years. We expect the Committee to review legislation to extend the Inspector General concept to other major federal establishments and to strengthen internal audits and investigations in the smaller agencies.

With the strong concern in mind that federal workers and retirees should not be asked to carry an unfair burden in this year's deficit reduction plan, we are hopeful that the Governmental Affairs Committee will achieve its share of deficit reduction. Last year, the Committee met its budget instructions to save some $300 million. We look forward to working with you again to reduce the size of the deficit.

Sincerely,

John
John Glenn
Chairman

Bill
William V. Roth, Jr.
Ranking Minority Member

Committee on the Judiciary
Narrative Statement on Spending Requirements

Overview:

The Judiciary Committee believes that important and far-reaching legislation has been passed in the areas of crime and drug control as well as immigration reform in the past several years. These important measures should now be carefully reviewed and monitored to ensure that they are implemented as Congress intended. In that capacity, the Committee will be carrying out additional oversight throughout calendar year 1987.

One area of Committee interest that will have limited budgetary impact is to review the coordination of federal narcotics programs. With the infusion of vitally needed funds and passage of important new provisions, a clear delineation of leadership responsibility and coordination is essential to guarantee that recent Congressional action is effective. To that end, a major subject to be considered by the Committee will be a review of current mechanisms for federal leadership and coordination of federal drug efforts. This may result in new programs; however, the budgetary impact should be minimal in comparison to total outlays for narcotics control.

The Committee generally supports a number of budgetary increases proposed in the President's budget for U.S. Attorneys, the Federal Bureau of Prisons and the Immigration and Naturalization Service.

The Committee will also continue its support and funding of state and local assistance programs in the area of crime and drug control that are under the jurisdiction of the Office of Juvenile Justice and Delinquency Prevention, Bureau of Justice Assistance, the State Justice Institute and the Regional Information Sharing System.

The Committee intends to review the collection of judicially imposed fines and forfeiture of criminal assets. Concerns have been expressed that these two programs are not working as effectively as envisioned by Congress, and they will be scrutinized by the Committee.

In addition, the Committee has already begun a careful review of Administration antitrust policies and enforcement. The need to provide for sufficient staffing and statutory tools to see that abuses are controlled will be a goal of the Committee.

The Committee intends to review legislation that would consider royalty adjustments for creators of works of visual fine arts. This legislation could result in additional work for the Copyright Office, but minimal budgetary adjustments may be necessary.

The Committee will also closely monitor the Administration's implementation of the Immigration Reform and Control Act of 1986.

In the area of Civil Rights, the Committee intends to review legislation to improve enforcement of our nation's fair housing laws. Legislative proposals to be considered would have limited budgetary impact.

Recommended Changes

Note: Unless otherwise noted, differences from the Congressional Budget Office baseline may reflect decreases or increases not fully accounted for in CBO's assumptions.

I. New Initiatives

Proposal A: Department of Justice (General Administration)

The proposed increase of $16 million above the baseline reflects additional workload associated with the Immigration Reform and Control Act of 1986, federal debt collection, the U.S. Trustees program, and the establishment of a uniformed office automation system.

Proposal B: Department of Justice (General Legal Activities)

The proposed increase of $75 million above the baseline is to improve civil tax litigation, organized crime prosecution, commercial litigation -- including defense fraud -- and environmental protection litigation. Additionally, $23 million of this increase will be used to authorize office automation to end the proliferation of incompatible systems among the various litigation sections.

Proposal C: Department of Justice (Antitrust Division)

The $2 million increase above the baseline is to ensure adequate personnel to carry out the expected workload of this division.

Proposal D: Department of Justice (United States Attorneys)

The $35 million dollar increase above the baseline for United States Attorneys would focus on white collar crime and organized crime prosecution.

Proposal E: Department of Justice (United States Marshals Service)

The $43 million increase above the baseline includes a transfer of $17 million from the Fees and Expenses Program. Additionally, funds are needed to improve the witness security program and to respond to the additional federal detainees resulting from the new provisions and resources provided in the Anti Drug Abuse Act of 1986.

Proposal F: Department of Justice (Support of federal Prisoners)

The $14 million increase above the baseline supports increased inmate days in contract facilities and to enable state and local governments to renovate additional bedspace for federal prisoners.

Proposal G: Department of Justice (U.S. Trustee System Fund)

A $6 million increase above the baseline would carry out the provisions of the Bankruptcy Judges, United States Trustees and Family Farmer Bankruptcy Act of 1986. It is anticipated that this increase will help the Trustee Program to become self-sufficient by fiscal year 1989 through the new system of fees and charges.

Proposal H: Department of Justice (Federal Bureau of Investigation)

Additional funds totalling $117 million above the baseline would carry out organized crime and narcotics investigations and to improve voice privacy radio systems. These increases are consistent with the Committee's emphasis on improving crime and drug control efforts.

Proposal I: Department of Justice (Drug Enforcement Administration)

Additional funds totalling $11 million reflects a need for domestic drug enforcement, phase II of an automated data processing system and improved security for staff. These programs are consistent with the new programs called for in the Anti Drug Abuse Act of 1986.

Proposal J: Department of Justice (Immigration and Naturalization Service)

The $129 million increase above the baseline reflects continuation of new programs and expenses needed to implement the Immigration Reform and Control Act of 1986.

Proposal K: Department of Justice (Federal Bureau of Prisons)

The $65 million increase above the baseline is reflects a need for new construction, modernization, and repair of correctional facilities and necessary personnel increases.

Program L: Treasury Department (Secret Service)

The $13 million increase above the baseline reflects a need for additional security responsibilities in the upcoming 1988 Presidential election.

Program M: Treasury Department (Financial Management Service)

The $13 million increase above the baseline is due to methodology differences in computing annual claims.

Program N: The Judiciary (Courts of Appeals, District Courts, and other judicial services)

The $123 million increase above the baseline reflects the addition of 52 Bankruptcy Judges and 400 clerks that were authorized by Congress in the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act of 1986.

Program O: The Judiciary (Courts of Appeals, Federal Judicial Center, and Administrative Office)

The $3 million increase above the baseline reflects costs for training new bankruptcy judges.

Program P: Department of Housing and Urban Development (Fair Housing and Equal Opportunity)

The $6 million increase above the baseline reflects the cost of new fair housing initiatives to be considered by the Committee.

II. Savings

Proposal A: Justice Department (Fees and Expenses of Witnesses)

This program savings of $17 million reflects a transfer of this account to the U.S. Marshals budget.

Proposal B: Department of Justice (Immigration Fees)

The Department of Justice Appropriation Act (P.L. 99-500) provided for the establishment of a $5 user fee for passengers entering the United States. The estimated revenue from this fee system will be $150 million in fiscal year 1988.

Proposal C: Department of Justice (Immigration Legalization)

The Immigration Reform and Control Act of 1986 established an application fee system to offset the costs of the legalization review process. Estimated revenues in fiscal year 1988 will total $233 million.

Program D: Department of Justice (U.S. Trustee Program)

The new filing fee will generate $39 million in fiscal year 1988.

Program E: Department of Treasury (Bureau of Alcohol, Tobacco, and Firearms)

A proposed recision in the fiscal year 1987 supplemental appropriation will result in a savings of $12 million below the fiscal year 1988 baseline.

Committee on the Judiciary
Budget Estimates
($ Millions in Budget Authority)

		Fiscal Year 1988
	Baseline Level	12,068
I.	Major New Initiatives	
	Proposal A: Justice Department - (General administration)	+ 16
	Proposal B: Justice Department - (General legal activities)	+ 75
	Proposal C: Justice Department - (Antitrust Division)	+ 2
	Proposal D: Justice Department - (United States Attorneys)	+ 35
	Proposal E: Justice Department - (United States Marshals Service)	+ 43
	Proposal F: Justice Department - (Support of federal prisoners)	+ 14
	Proposal G: Justice Department - (United States Trustee Program)	+ 6
	Proposal H: Justice Department - (Federal Bureau of Investigation)	+ 117
	Proposal I: Justice Department - (Drug Enforcement Administration)	+ 11
	Proposal J: Justice Department - (Immigration and Naturalization Service)	+ 129
	Proposal K: Justice Department - (Federal Bureau of Prisons; salaries, expenses, buildings and facilities)	+ 65
	Program L: Treasury Department - (Secret Service)	+ 13
	Program M: Treasury Department - (Financial Management Service)	+ 13

Program N: (The Judiciary) Courts of Appeals, District Courts and other judicial services	+ 123
Program O: (The Judiciary) Courts of Appeals, Federal Judicial Center and Administrative Office	+ 3
Program P: Department of Housing and Urban Development (fair housing and equal opportunity)	+ 6
Total Increases	+ 671 million

II. Areas of Savings

Program A: Department of Justice (Fees and Witness Program)	- 17
Program B: Department of Justice (Immigration fees)	- 150
Program C: Department of Justice (Immigration legalization application fees)	- 233
Program D: Department of Justice (U.S. Trustees filing fees)	- 39
Program E: Department of Treasury (Bureau of Alchohol, Tobacco and Firearms)	- 12
Total Savings	451 million

Total Estimate for Fiscal Year 1988	12,288 million

BARBARA A. MIKULSKI, MARYLAND

THOMAS M. ROLLINS, STAFF DIRECTOR AND CHIEF COUNSEL
HAYDEN G. BRYAN, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510

February 25, 1987

The Honorable Lawton Chiles
Chairman
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Senator Chiles:

The attached material describes the changes to the CBO baseline projections that will be necessary to implement high priority initiatives within the jurisdiction of the Labor Committee. In aggregate, our initiatives increase CBO baseline outlay projections by $ 1.4 billion in 1988, or about three per cent. This request reflects a unanimous judgment by the Committee's Democrats of the resources necessary to redress six years of neglect of pressing national needs and to begin to develop a strategy that will assure a stronger and more prosperous future for America. In many cases these proposals are bi-partisan requests developed by the relevant subcommittee chairman and ranking member.

In constant 1987 dollars, discretionary programs under the jurisdiction of the Labor Committee have been cut more than eight billion dollars since the beginning of the Reagan Administration and are now an average of 20 per cent below their 1980 level. Cuts in Labor Committee programs have been more than 40 per cent deeper than cuts in the domestic discretionary budget as a whole.

Because we recognize the over-riding necessity of reducing the budget deficit, our request does not assume full restoration of these reductions. Rather, it focuses on a select group of high priority initiatives and includes a number of program freezes and cuts. Our projected legislative program for the 100th Congress also assumes a number of important program restructurings and reforms that are not reflected in our budget request because they can be conducted by creative use of current resources.

In some program areas, however, additional expenditures are essential and represent good investments in our country's future. One of the most important initiatives we are requesting is allocated to the Committee's portion of the proposed trade bill that is a cornerstone of the Democratic program and which is essential to help make the American economy capable of competing in world markets. Other major increases are requested for education and training programs that are central in assuring a labor force able to meet the demands of the future, for basic science programs, for the bi-partisan homeless initiative, and for funds essential to maintain the current biomedical research effort and to combat the potentially disastrous AIDS epidemic.

We understand the importance of reducing the deficits that the past six years of micguided fiscal policies have created, and we look forward to working with the Budget Committee in developing a budget resolution that is both fiscally and programmatically responsible.

Sincerely,

Edward M Kennedy
Edward M. Kennedy

Paul Simon

Claiborne Pell

Tom Harkin

Howard M. Metzenbaum

Brock Adams
Brock Adams

Spark M. Matsunaga

Barbara Mikulski

Chris Dodd
Christopher J. Dodd

Committee on Labor and Human Resources

NARRATIVE ON RECOMMENDED SPENDING LEVELS

TRADE

Major New Initiatives

Proposal A: Vocational and Adult Education

As part of the education component to a trade bill, we recommend a $ 50 million increase in funding for the Perkins Vocational Education Act to provide training and retraining for adults, particularly the older worker and those who have lost their jobs because of foreign competition, and a $50 million increase in funding for the Adult Education Act to intensify the attack on adult illiteracy.

Proposal B: Math and Science Education

For math and science instruction, also an integral part of the education component to a trade bill, we recommend reauthorization and increased funding of the Education for Economic Security Act, including an additional $270 million to fully fund the teacher programs and $ 75 million to fund the partnerships provisions.

Proposal C: International Education

As part of the education component of the trade bill, we recommend $ 50 million in increased funding under the International Education provisions of the Higher Education Amendments of 1986 to upgrade foreign language instruction and to improve educational programs both in area studies and in graduate courses of study providing joint degrees in business and international education.

HOMELESS

Major New Initiative

Proposal: The Committee's share of the Homeless Initiative agreed to by the Democratic Task Force includes funds for health care, services to the chronically mentally ill, job training, and education assistance to homeless children.

EDUCATION

Major New Initiatives

Proposal A: Dropout Bill

For the new School Dropout Demonstration Assistance program, we recommend $50 million for each of the next three years for elementary and secondary education demonstration programs in dropout prevention and school re-entry.

Proposal B: Chapter I

For the Chapter I program of compensatory education services to children from economically disadvantaged families, we recommend an increase of $400 million which will enable the program to serve an additional 800,000 children.

Proposal C: Pell Grants

For the Pell Grant program, we recommend a $900 million increase in funding to implement the Higher Education Amendments of 1986 and provide for a $2500 maximum grant in the 1988-89 academic year.

HEALTH

Major New Initiatives

Proposal A: Prevention

Health promotion and disease prevention is potentially our most cost-effective health program, but the current Federal effort is woefully inadequate. This initiative will improve and expand the current prevention block grant by requiring HHS to develop and conduct media campaigns to encourage health (promoting behaviors in areas with high payoff), establish a small grant program for community-based prevention efforts, conduct a new program of cancer screening and early detection in underserved populations, and improve and expand the EMS system consistent with a recent GAO report.

Proposal B: Infant Mortality

The U.S. ranks 16th in the world in infant mortality, despite the most technically advanced neo-natal care systems in the world. This high infant mortality rate arises from inadequate prenatal and well-baby care. A recent Children's Defense Fund report found that failure to provide this inexpensive care to poor, high-risk mothers and infants cost the nation billions of dollars and thousands of lives. This initiative will expand CHC services in areas of high infant mortality in order to serve an additional 175,000 pregnant women and 275,000 children annually.

Proposal C: Biomedical Research

Biomedical research provides a high health payoff for the American people and helps maintain the United States' pre-eminence in an important area of international competition. Because the CBO methodology for calculating the NIH baseline understates the funds required to maintain the current level of new and competing grants as well as the existing intramural research effort, an additional $ 359 million is required to avoid a reduction in activity. Because this increase represents a correction of the CBO current services estimate rather than a new initiative, it is shown as a non-add item and not included in the Committee totals.

Proposal D: Biotechnology Initiative

This initiative would establish a central reprinting and information exchange program for work on the human genome and would contribute to the mutual effort to maintain leadership in this key area of biotechnology.

Proposal E: AIDS Funding

The AIDS virus now infects between one and two million Americans. If current trends continue, that number will rise to five million by 1990. Recent data indicates that virtually all of those infected may develop the full-blown disease, and, unless a cure is developed, all of those infected will die. The cost of treatment for AIDS victims could rise to $18 billion or more annually by 1990.

The Institute of Medicine has recommended a spending path that will result in annual expenditures of $ 1 billion per year by 1990 for research and an equivalent amount for public health and prevention measures. This initiative establishes a spending level for 1988 consistent with that expenditure path. No increase is assumed for subsequent years, because of uncertainty about the course of medical research.

Proposal F: Improved Services for the Disadvantaged

A number of small but important initiatives are planned to expand essential health services to underserved populations. These include re-establishment of the National Health Service Corps pipeline, funding of State planning grants for the chronically mentally ill which were authorized last year, and a modest increase in the family planning program.

Deficit Reduction Proposals

Proposal A: Establish a System of User Fees to Finance Part of the FDA Budget

Part of the recaptured expenditures would be used for deficit reduction and part to speed the approval process for new drugs.

Proposal B: One Year Freeze at 1987 Levels of Health Programs Except NIH, CHC, and Family Planning

CHILDREN AND FAMILY

Major New Initiatives

Proposal A: Child Care Initiative

For new child care initiatives, both to assist family child care providers with training and technical assistance and to provide incentives for states to improve standards for family and center-based child care settings, we recommend $30 million each year for three years.

Proposal B: Child Abuse

For new efforts to strengthen state and federal responses to child abuse and neglect, we recommend a $15 million increase in funding for the Child Abuse Prevention and Treatment Act of 1974 each year for five years.

Proposal C: Coordinated Child Care Services

For new comprehensive efforts to elevate and coordinate planning and advocacy for children on the federal, state, and local levels as part of the "Younger Americans Act of 1987," we recommend $20 million each year for five years.

Proposal D: Parental Care Enforcement

For new efforts to enforce unpaid parental leave policies, we recommend approximately $5 million each year according to CBO estimates.

Proposal E: Headstart

To expand Headstart up to the authorization level (assuming a 6 % inflation increase), we recommend approximately $60 million each year.

BASIC SCIENCE

Major New Initiative

Proposal: Raise the NSF to the President's Budget Levels

This increase is proposed to enable NSF to expand its activities in basic science and engineering research, and to expand its programs for science and engineering education at all levels, from elementary school to post-graduate. In addition these funds will enable the establishment and continued support of NSF Centers of Excellence.

AGING

Major New Initiative

Proposal: Older Americans Service Improvements

This initiative would provide for increases in services to the elderly, such as ombudsman services, nutrition programs, legal services, home care, minority access to services, rural access to services, changes in nursing home care or oversight. Legislation would be required as part of the reauthorization of the Older Americans Act or under a new legislative authority.

The elderly in America face severe problems of poverty, which are compounded by unique problems of access to needed services. There are 3.5 million elderly poor, and an additional 8 million elderly who live close to poverty. Their physical health problems, as well as a lack of personal support systems, often make them unable to meet their own basic needs. Current programs are woefully inadequate supplements to their personal resources and physical limitations. Even minimal increases which protect the institutionalized elderly and provide greater access to services will help substantially.

HANDICAPPED

Major New Initiatives

Proposal A: Education for the Handicapped

We recommend an increase of $195 million over the baseline. This increase is consistent with programmatic changes made by reauthorization of the Education of the Handicapped Act last year. These changes included the establishment of an early intervention program for handicapped infants from birth through age two, and the enhancement of services for preschool handicapped children from ages three through five. In order to maintain the new federal commitments made by Congress last year in both the reauthorization and appropriations measures, increases in funding for these two initiatives are essential. In addition, our recommendation includes sufficient funds to increase the federal share of the average per pupil expenditure for educating handicapped children by roughly one percent -- from 10 to 11 percent. As you know, the authorized federal share of the cost for educating these students is 40 percent of the average per pupil expenditure -- a commitment the federal government has never fulfilled.

Proposal B: Vocational Rehabilitation

We propose an increase of $97 million over the baseline. This amount reflects the fully authorized amount for the rehabilitation state grant, and increases consistent with the authorized levels established by the Rehabilitation Act Amendments of 1986. Rehabilitation programs are of proven cost-effectiveness, with individuals successfully rehabilitated and placed into jobs becoming taxpayers, rather than tax-users.

Proposal C: Developmental Disabilities

We propose an increase of $5 million over the CBO baseline. The Developmental Disabilities Act is scheduled to be reauthorized this year, and we anticipate changes to the Act to further enhance states' efforts to serve this population effectively. Consistent with Congress' efforts last year to expand services for handicapped infants and adults, the Subcommittee may consider proposals to assist the elderly disabled, a growing population whose needs are inadequately met by the current service delivery system.

LABOR, EMPLOYMENT AND PRODUCTIVITY

Major New Initiatives

Proposal A: OSHA

From 1976 to 1981, the OSHA budget request grew at an average annual rate of approximately 12.7 %. From 1981 to 1987, the growth was only 1.3% annually, for a total growth of approximately 8 %. OSHA enforcement has suffered as a consequence. The budget request attempts to restore the OSHA budget in real dollar terms. Assuming 4 % annual inflation, the OSHA budget should have grown more than 24 % from 1981. It only grew 8 %, so for FY 88 there should be a 16 % increase over the CBO baseline. Thereafter the budget is adjusted for inflation to help OSHA keep up with growing demands for worker safety. This proposed increase, along with a request for an increase in MSHA enforcement, is paid for by the elimination of consultation visits to exempt businesses from OSHA.

Proposal B: MSHA

Following the same logic as for the OSHA budget increase, the MSHA budget must be restored to keep up with inflation. The MSHA budget increased at a 13.4 % annual rate from 1976 to 1981. Since then there has been virtually no growth in the MSHA budget. Last September's oversight hearings and the MSHA hearings scheduled for next month have demonstrated and will demonstrate MSHA's ineffectiveness in protecting miners. To restore the MSHA budget, there should be a 24 % increase in FY 88. Thereafter, the budget should be increased 5 % annually to keep up with inflation. Again, however,the budget increases requested are only half of what is necessary to restore MSHA fully.

Proposal C: High-Risk Bill

The High Risk Occupational Disease Notification and Prevention Act of 1987 -- S. 79 -- introduced by Senators Metzenbaum and Stafford provides for $25 million annually to notify workers who are at risk of occupational disease.

Proposal D: EDWAA

The Economic Dislocation and Worker Adjustment Assistance Act -- S. 538 -- implements the Department of Labor Task Force recommendations on rapid response assistance to dislocated workers. Roughly $540 million of the amount required is new budget money, not transferred from other programs.

Proposal E: Youth

Innovative job-training programs to address the needs of high-risk youth.

Proposal F: Wage/hour (Employment Standards Administration)

According to the GAO, enforcement of the Fair Labor Standards Act declined 15 % in terms of staff years from FY 81 to FY 84. In addition, because of the Supreme Court's *Garcia* decision, 7 million state and local government employees are now covered by the FLSA's minimum wage and overtime provisions. Finally, increasing the minimum wage is at the top of the Labor Committee agenda, so there is likely going to be a need to devote more resources to enforce new wage standards. A 25% increase to restore FLSA enforcement is appropriate for FY 88, with 5 % inflationary adjustments thereafter. Our budget request partially restores FLSA enforcement by seeking a 12.5% increase for FY 88.

Proposal G: Aging

The budget must be increased for community support services for the frail elderly, including victims of Alzheimer's Disease. By providing community support, premature institutionalization can be avoided, thus substituting low-cost health care for high-cost health care.

Deficit Reduction Proposals

Proposal A: OSHRC

This commission is responsible for reviewing and issuing OSHA search warrants. This function could and should be handled through magistrates in the federal court system, as is done with other federal warrants. Therefore, OSHRC should be abolished.

Proposal B: MSHRC

The above reasoning for OSHRC applies equally to MSHRC.

Proposal C: OSHA

Under the compliance assistance section in OSHA, there is approximately $24 million budgeted for FY88 for consultation visits which were designed to help small businesses comply with OSHA. Apparently, these consultation visits are now being used by businesses of all sizes to gain exemptions from OSHA requirements. This program should be eliminated because it is now a loophole to avoid OSHA compliance.

Proposal D: JTPA

Title III of JTPA is being abolished and folded into EDWAA.

Proposal E: Employment Services

These Wagner-Peyser allotments to states for basic employment services are re-directed into EDWAA.

Proposal F: TAA

It is likely that these funds will be folded into EDWAA.

Proposal G: One-Year Freeze on Selected Programs

This proposal would freeze lower priority employment and training programs at the 1987 level for one year.

COMMITTEE ON LABOR AND HUMAN RESOURCES

SPENDING LEVELS

($ in billions)

		1988	1989	1990	1991	1992
BASELINE						
	BA..................	46.6	48.6	50.7	52.9	55.1
	O..................	44.5	46.9	49.1	51.5	53.8
Trade Bill						
Major New Initiatives						
Proposal A:						
Vocational & Adult Ed.	BA....	.100	.100	.100	.100	.100
	O....	.002	.080	.100	.100	.100
Proposal B:						
Math & Science Ed.	BA....	.345	.345	.345	.345	.345
	O....	.028	.142	.345	.345	.345
Proposal C:						
International Ed.	BA....	.050	.050	.050	.050	.050
	O....	.010	.032	.050	.050	.050
NET TOTAL, TRADE BILL	BA....	.495	.495	.495	.495	.495
	O....	.040	.254	.495	.495	.495
Homeless Initiative						
Major New Initiatives						
	BA....	.100	--	--	--	--
	O....	.105	.065	--	--	--

		1988	1989	1990	1991	1992
Education						
Major New Initiatives						
Proposal A: Dropout Bill	BA....	.050	.050	.050	.050	.050
	O....	.004	.036	.050	.050	.050
Proposal B: CHAPTER I	BA....	.400	.400	.400	.400	.400
	O....	.020	.348	.400	.400	.400
Proposal C: Pell Grants	BA....	.900	.900	.900	.900	.900
	O....	.180	.882	.900	.900	.900
NET TOTAL, EDUCATION	BA....	1.350	1.350	1.350	1.350	1.350
	O....	.204	1.266	1.350	1.350	1.350
Health						
I. Major New Initiatives						
Proposal A: Prevention	BA....	.090	.090	.090	.090	.090
	O....	.057	.075	.087	.090	.090
Proposal B: Infant Mortality	BA....	.040	.040	.040	.040	.040
	O....	.022	.034	.038	.040	.040
Proposal C: Research**	BA....	(.359)	(.500)	(.452)	(.536)	(.541)
	O....	(.283)	(.372)	(.317)	(.386)	(.368)
Proposal D: Biotechnology	BA....	.010	.010	.010	.010	.010
	O....	.005	.010	.010	.010	.010

** Research is a non-add category, because it represents a correction of the CBO baseline rather than an addition to the baseline.

		1988	1989	1990	1991	1992
Proposal E: AIDS	BA....	.343	--	--	--	--
	O....	.189	.124	.024	--	--
Proposal F: Improved Services to the Disadvantaged	BA....	.041	.047	.044	.044	.044
	O....	.028	.043	.044	.044	.044
Subtotal, Health Increase	BA....	.524	.187	.184	.184	.184
	O....	.301	.286	.203	.184	.184
II. Major Areas of Savings						
Proposal A: User Fees to Finance FDA Budget	BA....	-.118	-.121	-.124	-.126	-.130
	O....	-.118	-.121	-.126	-.126	-.130
Proposal B: One yr. freeze on health programs except NIH, CHC, & family planning	BA...	-.144	-.147	-.153	-.158	-.162
	O...	-.098	-.139	-.149	-.156	-.161
Subtotal, Health Savings	BA....	-.262	-.268	-.277	-.284	-.292
	O....	-.216	-.260	-.275	-.282	-.291
NET TOTAL, HEALTH	BA....	.262	-.081	-.093	-.100	-.108
	O....	.085	.026	-.072	-.098	-.107

		1988	1989	1990	1991	1992
Children and Family						
Major New Initiatives						
Proposal A: Child Care Initiative	BA....	.030	.030	.030	.030	.030
	O....	.024	.030	.030	.030	.030
Proposal B: Child Abuse	BA....	.015	.015	.015	.015	.015
	O....	.012	.015	.015	.015	.015
Proposal C: Coordinated Child Care Services	BA....	.020	.020	.020	.020	.020
	O....	.016	.020	.020	.020	.020
Proposal D: Parental Care Enforcement	BA....	.005	.005	.005	.005	.005
	O....	.004	.005	.005	.005	.050
Proposal E: Headstart	BA....	.060	.060	.060	.060	.060
	O....	.048	.060	.060	.060	.060
NET TOTAL, CHILDREN & FAMILY	BA....	.130	.130	.130	.130	.130
	O....	.104	.130	.130	.130	.130
Basic Science						
Major New Initiatives						
Proposal:	BA....	.191	.370	.591	.850	1.168
	O....	.089	.259	.450	.679	.956
Aging						
Major New Initiatives						
Proposal: Older Americans Service Improvements	BA....	.030	.030	.030	.030	.030
	O....	.025	.030	.030	.030	.030

		1988	1989	1990	1991	1992
Handicapped						
Major New Initiatives						
Proposal A:						
Handicapped	BA....	.195	--	--	--	--
Education	O....	.009	.140	.046	--	--
Proposal B:						
Rehabilitation	BA....	.097	--	--	--	--
	O....	.075	.022	--	--	--
Proposal C:						
Developmental	BA....	.005	--	--	--	--
Disabilities	O....	.004	.001	--	--	--
NET TOTAL, HANDICAPPED	BA....	.297	--	--	--	--
	O....	.088	.163	.046	--	--
Labor, Employment and Productivity						
I. Major New Initiatives						
Proposal A:						
OSHA	BA....	.012	.014	.016	.018	.022
	O....	.012	.014	.016	.018	.022
Proposal B:						
MSHA	BA....	.012	.015	.018	.023	.027
	O....	.012	.015	.018	.023	.027
Proposal C:						
Hi-risk	BA....	.025	.025	.025	.025	.025
	O....	.025	.025	.025	.025	.025
Proposal D:						
EDWWA	BA....	.930	.930	.930	.930	.930
	O....	.930	.930	.930	.930	.930

		1988	1989	1990	1991	1992
Proposal E: Youth	BA....	.150	.175	.200	--	--
	O....	.150	.175	.200	--	--
Proposal F: Wage/hr.	BA....	.016	.019	.023	.027	.032
	O....	.016	.019	.023	.027	.032
Proposal G: Aging	BA....	.060	.060	.060	.060	.060
	O....	.060	.060	.060	.060	.060
Subtotal, Labor Increase	BA....	1.205	1.238	1.272	1.083	1.096
	O....	1.205	1.238	1.272	1.083	1.096
II. Areas of Savings						
Proposal A: OSHRC	BA....	-.006	-.006	-.007	-.007	-.007
	O....	-.006	-.006	-.007	-.007	-.007
Proposal B: MSHRC	BA....	-.004	-.004	-.004	-.004	-.004
	O....	-.004	-.004	-.004	-.004	-.004
Proposal C: OSHA	BA....	-.024	-.024	-.024	-.024	-.024
	O....	-.024	-.024	-.024	-.024	-.024
Proposal D: JTPA	BA....	-.200	-.200	-.200	-.200	-.200
	O....	-.200	-.200	-.200	-.200	-.200
Proposal E: Empl. Serv.	BA....	-.090	-.090	-.090	-.090	-.090
	O....	-.090	-.090	-.090	-.090	-.090
Proposal F: TAA	BA....	-.144	-.144	-.144	-.144	-.144
	O....	-.144	-.144	-.144	-.144	-.144

		1988	1989	1990	1991	1992
Proposal G: 1-year Freeze on Selected Programs	BA....	-.154	-.168	-.187	-.194	-.197
	O....	-.052	-.127	-.170	-.188	-.190
Subtotal, Labor Saving	BA....	-.622	-.636	-.656	-.663	-.666
	O....	-.520	-.595	-.639	-.657	-.659
NET TOTAL, LABOR	BA....	.583	.602	.616	.420	.430
	O....	.685	.643	.633	.426	.437
NET TOTAL, ALL PROGRAMS	BA....	3.438	2.896	3.119	3.175	3.495
	O....	1.425	2.836	3.062	3.012	3.291

EDWARD M. KENNEDY, CHAIRMAN

CLAIBORNE PELL, RHODE ISLAND
HOWARD M. METZENBAUM, OHIO
SPARK M. MATSUNAGA, HAWAII
CHRISTOPHER J. DODD, CONNECTICUT
PAUL SIMON, ILLINOIS
TOM HARKIN, IOWA
BROCK ADAMS, WASHINGTON
BARBARA A. MIKULSKI, MARYLAND

ORRIN G. HATCH, UTAH
ROBERT T. STAFFORD, VERMONT
DAN QUAYLE, INDIANA
STROM THURMOND, SOUTH CAROLINA
LOWELL P. WEICKER, JR., CONNECTICUT
THAD COCHRAN, MISSISSIPPI
GORDON J. HUMPHREY, NEW HAMPSHIRE

THOMAS M. ROLLINS, STAFF DIRECTOR AND CHIEF COUNSEL
HAYDEN G. BRYAN, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

February 25, 1987

The Honorable Lawton Chiles
and Pete V. Domenici
Chairman and Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton and Pete:

In lieu of views and estimates from the Committee on Labor and Human Resources, we take this opportunity to reflect on budgetary considerations relevant to the programs and policies under the committee's jurisdiction.

In general, we feel the committee's record over the last few years is a good one. In the 99th Congress, for example, the Labor Committee met or exceeded its savings requirements in reconciliation. Throughout the last six years the committee has made an effort not only to reduce program costs as required by various budget resolutions, but also to avoid unnecessary expenditures on new programs. As a result, the cost of programs within our jurisdiction has declined by 25 percent in real terms since 1980. We urge the Budget Committee to keep this record in mind as it looks for additional reductions for fiscal 1988 and consider overall program cost increases in recent years for all committees.

We also urge you to continue the effort to reduce excessive federal spending, preserving and strengthening the Gramm-Rudman-Hollings legislation as necessary to eliminate the continuing series of $200 billion dollar deficits afflicting our economy. While there are some flaws in the Gramm-Rudman-Hollings approach,

The Honorable Lawton Chiles
and Pete V. Domenici
February 25, 1987
Page Two

it is our only hope for controlling a budget of ever-expanding program costs. To abandon our last weapon would be to admit defeat.

As always, we look forward to working with you on what will be, once again, our biggest issue.

Sincerely,

Orrin

Orrin G. Hatch
Ranking Minority Member

Strom

Strom Thurmond
United States Senator

United States Senate
COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

February 24, 1987

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Lawton:

For the past several years, the Senate Labor and Human Resources Committee has not held an executive session in order to consider recommendations on the federal budget. As the ranking minority member of the Subcommittee on Education, Arts and Humanities, I wanted to take this opportunity to let you know my views on the education budget for FY 88.

I would support an overall 10% increase for the Department of Education, or approximately an increase of $2 billion. Of this $2 billion increase, I would strongly urge that special funding priority be put on the two most important programs within the Subcommittee's jurisdiction, the Chapter One and Pell Grant programs. I would like to see each of these programs receive an increase of $800 million in FY 88, as they are the programs which focus on the financially neediest of American students at the elementary, secondary and postsecondary education levels. The additional $400 million could then be used for inflationary increases for other important education programs.

You will note here that I do not include any specific recommendations for P.L. 94-142 or the Vocational Rehabilitation Program, both of which are administered by the Department of Education, but fall under the jurisdiction of the Handicapped Subcommittee in the Senate. I would urge greater than inflationary increases for these two high priority programs.

Thank you for your attention to my recommendations, and I look forward to working closely with you as the Senate produces a budget for FY 88.

Sincerely yours,

Robert T. Stafford
Ranking Minority Member
Subcommittee on Education,
Arts and Humanities

United States Senate
COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510-6325

February 25, 1987

The Honorable Lawton Chiles, Chairman
The Honorable Pete V. Domenici, Ranking Minority Member
Committee on the Budget
United States Senate
Washington DC 20510

Dear Lawton and Pete:

This transmits the "views and estimates" report of the Committee on Rules and Administration required by the Congressional Budget Act of 1974. The recommended spending levels for programs within the authorizing jurisdiction of the Committee are shown on Attachment A.

At this time the Committee has no specific plans for new initiatives that would have a significant impact on spending. In the area of savings, the Committee will continue to monitor activities funded by the official mail account. Savings are by-products of improved management, however, as the intent of the official mail cost control legislation (S. Res. 500) is not cost reduction, as such, but merely to dampen the open-ended entitlement aspects of this program and thereby reduce the need for a supplemental. Nevertheless, savings may occur; we estimate that S. Res. 374 (the official mail cost control legislation in effect for the second half of the second session of the 99th Congress) achieved cost savings of approximately $7 million and cost avoidance of approximately $24 million.

If we or the committee staff can be of any assistance, please do not hesitate to call on us.

Sincerely,

Wendell

Ted Stevens
Ranking Minority Member

Wendell H. Ford
Chairman

Attachment A

COMMITTEE ON RULES AND ADMINISTRATION
SPENDING LEVELS
(In billions of dollars)

	1988	1989	1990	1991	1992
Baseline (See note 1)					
BA	1.3	1.3	1.3	1.3	1.4
O	1.4	1.2	1.3	1.3	1.5
Additional accounts (See note 2)					
BA	0.7	0.7	0.8	0.8	0.8
O	0.7	0.7	0.7	0.7	0.8
Additional accounts (See note 3)					
BA	*	*	*	*	*
O	*	*	*	*	*
Total					
BA	1.9	2.0	2.1	2.1	2.2
O	2.0	1.9	2.0	2.0	2.3

Note 1. As set forth in CBO account listing transmitted with Budget Committee letter dated February 3, 1987.

Note 2. Amounts for accounts omitted from CBO account listing transmitted with Budget Committee letter dated February 3, 1987, but included in CBO baseline data base. Amounts are "CBO baseline" amounts. Details are in Attachment B, beginning on page 9. House accounts are included only to provide complete totals; traditionally, neither the Senate nor the House recommend new initiatives or savings in the other body.

Note 3. Amounts for accounts omitted from CBO account listing transmitted with Budget Committee letter dated February 3, 1987, and not included in CBO baseline data base. Amounts are OMB Current Services Estimates amounts. Details are in Attachment B, beginning on page 13.

*=Under $0.5 billion.

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
SENATE															
Compensation of Senators	801 President	8,976	9,183	9,670	9,670	9,670	9,670	9,670	8,648	9,183	9,670	9,670	9,670	9,670	9,670
	OMB Baseline		9,183	9,670	9,670	9,670	9,670	9,670		9,183	9,670	9,670	9,670	9,670	9,670
	CBO Baseline		8,976	9,892	9,981	10,080	10,080	10,080		8,976	9,892	9,981	10,080	10,080	10,080
Mileage of the Vice President and Senators	801 President	57	60	60	60	60	60	60	49	60	60	60	60	60	60
	OMB Baseline		60	60	60	60	60	60		60	60	60	60	60	60
	CBO Baseline		60	62	65	67	70	73		59	62	64	67	69	72
Expense allowances of the Vice President, President Pro Tem, and the Leaders and Assistant Leaders	801 President	54	56	56	56	56	56	56	42	56	56	56	56	56	56
	OMB Baseline		56	56	56	56	56	56		56	56	56	56	56	56
	CBO Baseline		56	58	61	64	66	69		56	58	61	64	66	69
Representation allowances for the Leaders	801 President	19	20	20	20	20	20	20	1	20	20	20	20	20	20
	OMB Baseline		20	20	20	20	20	20		20	20	20	20	20	20
	CBO Baseline		20	21	22	23	24	25		20	21	22	23	24	25
Salaries, officers and employees	801 President	163,413	188,793	202,854	202,854	202,854	202,854	202,854	156,697	188,793	202,854	202,854	202,854	202,854	202,854
	OMB Baseline		188,673	202,854	202,854	202,854	202,854	202,854		188,673	202,854	202,854	202,854	202,854	202,854
	CBO Baseline		177,436	195,534	197,309	199,261	199,261	199,261		166,790	183,802	185,470	187,305	187,305	187,305
Widows and heirs of deceased members	801 President	0	75	0	0	0	0-	0	0	75	0	0	0	0	0
	OMB Baseline		75	0	0	0	0	0		75	0	0	0	0	0
	CBO Baseline		75	0	0	0	0	0		75	0	0	0	0	0
Miscellaneous items	801 President	9,474	10,714	10,183	10,183	10,183	10,183	10,183	9,903	10,714	10,183	10,183	10,183	10,183	10,183
	OMB Baseline		10,314	10,183	10,183	10,183	10,183	10,183		10,314	10,183	10,183	10,183	10,183	10,183
	CBO Baseline		10,314	10,840	11,438	12,088	12,769	13,460		10,314	10,840	11,438	12,098	12,769	13,460
Secretary of the Senate	801 President	655	666	666	666	666	666	666	402	666	666	666	666	666	666
	OMB Baseline		666	666	666	666	666	666		666	666	666	666	666	666
	CBO Baseline		666	700	739	781	825	869		661	687	723	764	807	852

Attachment B

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Sergeant at Arms	801 President	51,824	62,420	60,439	60,439	60,439	60,439	60,439	46,448	62,420	60,439	60,439	60,439	60,439	60,439
	OMB Baseline		62,420	60,439	60,439	60,439	60,439	60,439		62,420	60,439	60,439	60,439	60,439	60,439
	CBO Baseline		62,620	65,814	69,446	73,391	77,524	81,719		63,725	65,705	69,301	73,233	77,359	81,551
Inquiries and investigations	801 President	48,855	55,141	57,161	57,161	57,161	57,161	57,161	46,825	55,141	57,161	57,161	57,161	57,161	57,161
	OMB Baseline		55,141	57,161	57,161	57,161	57,161	57,161		55,141	57,161	57,161	57,161	57,161	57,161
	CBO Baseline		52,177	56,967	57,990	59,106	59,795	60,494		43,341	47,277	48,268	49,194	49,794	50,365
Narcotics Control Commission	801 President	311	325	0	0	0	0	0	218	325	0	0	0	0	0
	OMB Baseline		325	0	0	0	0	0		325	0	0	0	0	0
	CBO Baseline		325	350	361	373	384	395		324	348	360	371	383	394
Stationery (revolving fund)	801 President	11	13	13	13	13	13	13	(15)	13	13	13	13	13	13
	OMB Baseline		13	13	13	13	13	13		13	13	13	13	13	13
	CBO Baseline		13	13	14	15	15	16		13	13	14	15	15	16
Expense allowance: Secretary and Sgt at Arms	801 President	11	12	12	12	12	12	12	7	12	12	12	12	12	12
	OMB Baseline		12	12	12	12	12	12		12	12	12	12	12	12
	CBO Baseline		12	12	13	13	14	15		12	12	13	13	14	15
Senate policy committees	801 President	1,864	2,081	2,203	2,203	2,203	2,203	2,203	1,552	2,081	2,203	2,203	2,203	2,203	2,203
	OMB Baseline		2,081	2,203	2,203	2,203	2,203	2,203		2,081	2,203	2,203	2,203	2,203	2,203
	CBO Baseline		1,948	2,121	2,153	2,188	2,207	2,226		1,939	2,104	2,150	2,184	2,205	2,224
Legislative Counsel	801 President	1,375	1,561	1,764	1,764	1,764	1,764	1,764	1,317	1,561	1,764	1,764	1,764	1,764	1,764
	OMB Baseline		1,561	1,764	1,764	1,764	1,764	1,764		1,561	1,764	1,764	1,764	1,764	1,764
	CBO Baseline		1,461	1,591	1,615	1,641	1,655	1,669		1,299	1,414	1,436	1,459	1,471	1,484
Total, Senate	President	286,899	331,120	345,101	345,101	345,101	345,101	345,101	272,094	331,120	345,101	345,101	345,101	345,101	345,101
	OMB Baseline		330,600	345,101	345,101	345,101	345,101	345,101		330,600	345,101	345,101	345,101	345,101	345,101
	CBO Baseline		316,159	343,975	351,207	359,091	364,689	370,371		297,604	322,235	329,301	336,860	342,351	347,912

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
JOINT ITEMS															
Capitol Guide Service	801 President	830	1,021	1,117	1,117	1,117	1,117	1,117	747	1,021	1,117	1,117	1,117	1,117	1,117
	OMB Baseline		912	1,117	1,117	1,117	1,117	1,117		912	1,117	1,117	1,117	1,117	1,117
	CBO Baseline		930	959	975	991	999	1,008		829	901	973	988	998	1,007
Joint Committee on Printing	801 President	879	976	1,034	1,034	1,034	1,034	1,034	833	976	1,034	1,034	1,034	1,034	1,034
	OMB Baseline		976	1,034	1,034	1,034	1,034	1,034		976	1,034	1,034	1,034	1,034	1,034
	CBO Baseline		919	1,001	1,016	1,032	1,041	1,050		914	989	1,014	1,029	1,040	1,049
Joint Economic Committee	801 President	2,530	2,997	3,284	3,284	3,284	3,284	3,284	2,469	2,997	3,284	3,284	3,284	3,284	3,284
	OMB Baseline		2,997	3,284	3,284	3,284	3,284	3,284		2,997	3,284	3,284	3,284	3,284	3,284
	CBO Baseline		2,736	2,980	3,024	3,073	3,099	3,126		2,714	2,956	3,020	3,068	3,096	3,123
Office of the Attending Physician	801 President	1,011	1,298	1,489	1,489	1,489	1,489	1,489	1,667	1,298	1,489	1,489	1,489	1,489	1,489
	OMB Baseline		1,298	1,489	1,489	1,489	1,489	1,489		1,298	1,489	1,489	1,489	1,489	1,489
	CBO Baseline		1,298	1,349	1,402	1,459	1,519	1,581		519	540	561	584	608	632
Joint Committee on Taxation	801 President	4,158	4,236	4,462	4,462	4,462	4,462	4,462	4,137	4,236	4,462	4,462	4,462	4,462	4,462
	OMB Baseline		4,236	4,462	4,462	4,462	4,462	4,462		4,236	4,462	4,462	4,462	4,462	4,462
	CBO Baseline		4,159	4,538	4,616	4,701	4,752	4,804		4,174	4,519	4,612	4,697	4,749	4,802
Capitol Police Board	801 President	13,104	0	0	0	0	0	0	34	6,549	6,550	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		6,549	6,550	0	0	0	0
	CBO Baseline		0	0	0	0	0	0		17	0	0	0	0	0
General expenses, Capitol police	801 President	1,279	2,133	2,199	2,199	2,199	2,199	2,199	1,533	2,133	2,199	2,199	2,199	2,199	2,199
	OMB Baseline		1,701	2,199	2,199	2,199	2,199	2,199		1,701	2,199	2,199	2,199	2,199	2,199
	CBO Baseline		1,701	1,857	1,890	1,927	1,949	1,972		1,444	1,577	1,605	1,636	1,655	1,674
Statements of appropriations, House	801 President	6	7	10	10	10	10	10	0	0	0	0	0	0	0
	OMB Baseline		7	10	10	10	10	10		0	0	0	0	0	0
	CBO Baseline		20	21	22	23	23	24		13	20	21	22	23	25

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Official mail costs	801 President	95,700	94,818	133,739	96,851	144,643	103,757	154,468	94,550	94,818	133,739	96,851	144,643	103,757	154,468
	OMB Baseline		91,423	133,739	96,851	144,643	103,757	154,468		91,423	133,739	96,851	144,643	103,757	154,468
	CBO Baseline		91,423	134,000	115,000	160,000	125,000	175,000		91,423	134,000	115,000	160,000	125,000	175,000
Total. Joint Items	President	119,797	107,436	147,334	110,446	158,238	117,352	168,063	105,970	114,028	153,874	110,436	158,228	117,342	168,053
	OMB Baseline		103,550	147,334	110,446	158,238	117,352	168,063		110,092	153,874	110,436	158,228	117,342	168,053
	CBO Baseline		103,136	146,705	127,945	173,206	138,382	188,565		102,047	145,502	126,806	172,024	137,169	187,310
ARCHITECT OF THE CAPITOL															
Salaries	801 President	5,134	5,557	6,123	6,123	6,123	6,123	6,123	4,962	5,543	6,350	6,062	6,062	6,062	6,062
	OMB Baseline		5,557	6,123	6,123	6,123	6,123	6,123		5,543	6,350	6,062	6,062	6,062	6,062
	CBO Baseline		5,262	5,799	5,851	5,909	5,909	5,909		5,505	5,751	5,846	5,904	5,909	5,909
Contingent expenses	801 President	*	50	100	100	100	100	100	177	281	100	100	100	100	100
	OMB Baseline		50	52	54	55	57	58		281	52	54	55	57	58
	CBO Baseline		50	53	55	59	62	65		50	53	55	59	62	65
Capitol buildings	801 President	18,516	12,397	19,849	20,390	20,958	21,555	22,181	11,093	24,974	21,607	20,436	20,998	21,339	21,959
	OMB Baseline		12,397	13,137	13,273	13,405	13,526	13,628		24,974	14,722	13,162	13,279	13,355	13,453
	CBO Baseline		12,068	13,084	13,407	13,759	14,038	14,321		19,746	12,939	13,361	13,708	13,999	14,280
Alterations and improvements, buildings and grounds	801 President	0	0	0	0	0	0	0	33	461	300	268	195	0	0
	OMB Baseline		0	0	0	0	0	0		461	300	268	195	0	0
	CBO Baseline		0	0	0	0	0	0		461	300	0	0	0	0
Capitol grounds	801 President	3,609	3,304	3,790	3,825	3,871	3,920	3,971	2,874	4,729	4,002	3,787	3,832	3,881	3,931
	OMB Baseline		3,304	3,545	3,564	3,583	3,600	3,615		4,729	3,728	3,541	3,559	3,576	3,590
	CBO Baseline		3,182	3,408	3,531	3,664	3,789	3,916		3,203	3,381	3,517	3,648	3,774	3,901
West central front of the Capitol	801 President	0	0	0	0	0	0	0	7,210	14,712	10,000	10,000	0	0	0
	OMB Baseline		0	0	0	0	0	0		14,712	10,000	10,000	0	0	0
	CBO Baseline		0	0	0	0	0	0		14,700	10,000	0	0	0	0

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Senate office buildings	801 President	18,876	25,942	37,761	26,153	26,565	26,997	27,451	20,472	34,766	38,819	26,026	26,299	26,898	27,176
	OMB Baseline		25,942	27,710	28,025	28,332	28,611	28,848		34,766	28,365	27,653	27,948	28,215	28,443
	CBO Baseline		25,197	27,227	27,987	28,815	29,513	30,222		23,241	26,598	27,751	28,558	29,297	30,002
House office buildings	801 President	21,138	26,192	32,884	33,442	34,029	34,645	35,292	20,033	30,632	34,077	33,108	33,699	34,299	34,939
	OMB Baseline		26,192	28,344	28,552	28,755	28,939	29,096		30,632	29,251	28,306	28,501	28,677	28,828
	CBO Baseline		25,227	27,556	28,038	28,565	28,881	29,202		24,793	27,309	27,987	28,509	28,348	29,168
Capitol Power Plant	801 President	24,068	24,756	26,137	27,272	28,464	29,715	31,029	19,413	28,157	29,343	26,999	28,179	29,418	30,719
	OMB Baseline		24,756	25,862	26,640	27,400	28,089	28,676		28,157	28,813	26,387	27,139	27,824	28,408
	CBO Baseline		24,567	25,982	27,091	28,401	29,746	31,114		24,497	25,703	26,921	28,218	29,558	30,922
Capitol Power Plant modifications	801 President	0	0	0	0	0	0	0	71	759	0	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		759	0	0	0	0	0
	CBO Baseline		0	0	0	0	0	0		75	0	0	0	0	0
Library buildings and grounds	801 President	5,536	6,300	7,618	7,727	7,841	7,961	8,036	7,956	42,275	30,539	23,249	11,458	3,138	8,005
	OMB Baseline		6,300	6,725	6,763	6,800	6,834	6,363		42,275	29,633	22,234	10,416	7,010	6,862
	CBO Baseline		6,090	6,612	6,740	6,879	6,974	7,070		23,702	14,165	23,625	22,974	6,966	7,062
Total, Architect of the Capitol	President	97,023	104,498	134,262	125,032	127,951	131,016	134,233	94,294	187,289	175,137	150,035	130,812	130,135	132,891
	OMB Baseline		104,498	111,498	112,994	114,453	115,779	116,907		187,289	151,214	137,717	117,154	114,776	115,704
	CBO Baseline		101,633	109,621	112,700	116,051	118,912	121,019		139,973	126,199	129,063	131,578	118,413	121,309
LIBRARY OF CONGRESS															
Salaries and expenses	503 President	128,863	136,667	153,159	163,900	177,000	191,200	206,500	126,747	132,131	154,957	161,500	173,900	187,800	202,800
	OMB Baseline		136,667	144,011	144,857	145,684	146,434	147,073		132,131	143,091	142,353	143,097	143,772	144,347
	CBO Baseline		132,339	143,057	146,689	150,638	153,853	157,121		134,095	141,212	146,042	149,935	153,281	156,539
Congressional Research Service	801 President	37,288	41,081	47,251	50,600	54,100	57,900	62,000	37,955	40,431	46,634	50,300	53,700	57,500	61,600
	OMB Baseline		41,081	43,326	43,437	43,545	43,643	43,726		40,481	43,245	43,326	43,534	43,633	43,718
	CBO Baseline		39,602	43,278	44,016	44,322	45,293	45,770		40,386	42,925	43,945	44,745	45,248	45,724

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Books for the blind	503 President	32,309	36,198	38,046	40,700	43,500	46,500	49,800	35,460	32,949	36,012	37,800	40,400	43,200	46,200
	OMB Baseline		36,198	37,645	38,789	39,906	40,919	41,782		32,949	35,944	37,041	38,103	39,071	39,898
	CBO Baseline		35,996	37,515	39,050	40,700	42,432	44,198		31,433	36,626	38,139	39,722	41,405	43,151
Collection and distribution (Special foreign currency program)	503 President	796	390	0	0	0	0	0	2,372	1,005	369	0	0	0	0
	OMB Baseline		390	0	0	0	0	0		1,005	369	0	0	0	0
	CBO Baseline		390	412	428	445	462	480		835	390	412	428	445	462
Furniture and furnishings	503 President	853	5,070	8,121	6,125	1,600	1,600	1,600	1,551	1,623	5,832	7,622	4,994	1,600	1,600
	OMB Baseline		5,070	5,239	5,415	5,586	5,741	5,874		1,623	5,327	5,189	5,362	5,533	5,692
	CBO Baseline		5,070	5,262	5,475	5,703	5,946	6,194		1,358	5,108	5,297	5,512	5,742	5,986
Oliver Wendell Holmes devise fund	503 President	7	6	7	7	7	7	7	12	7	6	6	6	6	6
	OMB Baseline		6	7	7	7	7	7		7	6	6	6	6	6
	CBO Baseline		6	7	7	7	7	7		7	10	10	10	10	10
Gift and trust fund accounts	503 President	8,154	8,198	8,198	6,927	6,927	6,927	6,927	7,315	9,560	8,622	6,927	6,927	6,927	6,927
	OMB Baseline		8,198	8,198	6,927	6,927	6,927	6,927		9,560	8,622	6,927	6,927	6,927	6,927
	CBO Baseline		8,751	6,927	6,927	6,927	6,927	6,927		9,509	6,927	6,927	6,927	6,927	6,927
Total, Library of Congress	President	208,270	227,610	254,782	268,259	283,134	304,134	326,834	211,412	217,756	252,432	264,155	279,927	297,033	319,133
	OMB Baseline		227,610	238,426	239,432	241,655	243,671	245,289		217,756	234,604	234,042	237,029	238,942	240,588
	CBO Baseline		222,154	236,458	242,592	249,242	254,920	260,697		217,623	233,198	240,772	247,279	253,058	256,799
GOVERNMENT PRINTING OFFICE															
Office of Superintendent of Documents	806 President	21,993	22,435	21,000	21,714	22,365	22,857	23,314	21,187	22,701	23,876	20,409	21,269	21,742	22,181
	OMB Baseline		22,435	23,313	23,951	24,535	25,082	25,549		22,701	25,087	22,309	23,378	23,895	24,336
	CBO Baseline		22,256	23,436	24,353	25,343	26,345	27,362		23,018	23,047	24,042	25,006	26,004	27,016
Printing and binding	801 President	11,058	10,700	0	0	0	0	0	12,535	10,622	2,506	0	0	0	0
	OMB Baseline		10,700	0	0	0	0	0		10,622	2,506	0	0	0	0
	CBO Baseline		10,700	11,246	11,866	12,540	13,247	13,964		10,925	11,055	11,649	12,304	13,000	13,715

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Congressional printing and binding	801 President	66,421	62,000	72,700	75,172	77,427	79,130	80,713	65,522	60,409	69,648	72,016	74,176	75,808	77,324
	OMB Baseline		62,000	64,170	66,416	68,608	70,597	72,292		60,409	62,523	64,712	66,847	68,736	70,437
	CBO Baseline		62,000	65,162	68,758	72,664	76,756	80,910		64,637	63,287	66,626	70,347	74,330	78,446
GPO revolving fund	806 President	0	0	0	0	0	0	0	(42,821)	20,944	(2,271)	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		20,944	(2,271)	0	0	0	0
	CBO Baseline		0	0	0	0	0	0		256	0	0	0	0	0
Total, Government Printing Office	President	99,472	95,135	93,700	96,886	99,792	101,987	104,027	56,425	114,676	93,759	92,425	95,445	97,550	99,505
	OMB Baseline		95,135	87,483	90,347	93,143	95,679	97,341		114,676	87,845	87,521	90,225	92,681	94,773
	CBO Baseline		94,956	99,244	104,977	110,547	116,346	122,236		98,736	97,389	102,317	107,659	113,334	119,175
BOTANIC GARDEN															
Salaries and expenses	801 President	2,094	2,144	2,448	2,466	2,485	2,504	2,522	2,107	2,267	2,597	2,441	2,460	2,479	2,496
	OMB Baseline		2,144	2,303	2,306	2,309	2,312	2,314		2,267	2,456	2,303	2,307	2,310	2,313
	CBO Baseline		2,062	2,261	2,289	2,319	2,329	2,339		2,065	2,241	2,286	2,316	2,328	2,338
DEPARTMENT OF THE TREASURY															
Presidential election campaign fund	806 President	35,933	37,000	37,000	38,000	38,000	38,000	38,000	(18)	18,224	153,424	7,381	55	21,232	156,318
	OMB Baseline		37,000	37,000	38,000	38,000	38,000	38,000		18,224	153,424	7,381	55	21,232	156,318
	CBO Baseline		37,000	38,000	38,000	39,000	39,000	40,000		18,224	155,450	7,090	0	21,320	160,000
FEDERAL ELECTION COMMISSION															
Salaries and expenses	806 President	11,898	13,090	14,174	14,250	14,184	14,400	14,615	12,688	13,176	14,136	14,243	14,190	14,387	14,595
	OMB Baseline		13,090	13,736	14,045	14,223	14,451	14,660		13,176	13,740	14,016	14,206	14,429	14,640
	CBO Baseline		12,800	13,910	14,222	14,563	14,816	15,073		12,684	13,767	14,181	14,519	14,784	15,040
FDR MEMORIAL COMMISSION															
Salaries and expenses	806 President	20	5	28	28	28	28	28	22	27	28	28	28	28	28
	OMB Baseline		5	28	29	30	31	32		27	28	29	30	31	32
	CBO Baseline		5	5	6	6	6	6		11	5	6	6	6	6

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
SMITHSONIAN INSTITUTION															
Salaries and expenses	503 President	169,384	183,920	204,862	214,702	218,773	222,745	226,460	163,043	182,129	201,987	211,696	215,710	219,627	223,290
	OMB Baseline		183,920	204,862	214,702	218,773	222,745	226,460		182,129	201,987	211,696	215,710	219,627	223,290
	CBO Baseline		183,920	199,873	203,978	208,449	211,615	214,833		181,962	198,003	203,522	207,952	211,264	214,476
Museum programs and related research (Special foreign currency program)	503 President	2,378	0	0	0	0	0	0	2,341	2,500	1,256	1,300	1,300	1,300	1,300
	OMB Baseline		0	0	0	0	0	0		2,500	1,256	1,300	1,300	1,300	1,300
	CBO Baseline		0	0	0	0	0	0		4,689	1,546	78	0	0	0
Construction and improvements, National Zoo	503 President	5,281	2,500	5,150	5,305	5,469	5,647	5,844	3,232	2,449	4,684	4,684	4,145	5,235	5,914
	OMB Baseline		2,500	5,150	5,305	5,469	5,647	5,844		2,449	4,684	4,684	4,145	5,235	5,914
	CBO Baseline		2,500	2,605	2,710	2,816	2,927	3,043		3,095	3,385	2,663	2,769	2,878	2,992
Restoration and renovation of buildings	503 President	10,536	12,975	14,254	13,765	14,190	14,651	15,162	8,921	10,987	12,068	10,536	11,000	11,400	12,812
	OMB Baseline		12,975	14,254	13,765	14,190	14,651	15,162		10,987	12,068	10,536	11,000	11,400	12,812
	CBO Baseline		12,975	13,468	13,974	14,467	14,986	15,531		8,630	14,821	14,952	14,295	14,543	15,068
Construction	503 President	3,005	6,095	4,470	0	0	0	0	8,711	8,795	1,800	3,670	0	0	0
	OMB Baseline		6,095	4,470	0	0	0	0		8,795	1,800	3,670	0	0	0
	CBO Baseline		6,095	6,321	6,577	6,851	7,143	7,442		10,215	8,185	6,423	6,686	6,968	7,263
National Gallery of Art	503 President	32,145	34,607	37,259	37,917	38,497	39,022	39,482	34,466	34,376	37,462	37,917	38,497	39,022	39,482
	OMB Baseline		34,607	35,089	35,562	36,024	36,443	36,800		34,376	35,349	35,502	35,944	36,403	36,750
	CBO Baseline		34,607	37,394	38,288	39,259	40,033	40,821		34,896	37,130	38,207	39,170	39,963	40,749
Woodrow Wilson Center	503 President	3,227	3,322	3,998	4,006	4,090	4,168	4,251	3,188	3,322	3,998	4,006	4,090	4,168	4,251
	OMB Baseline		3,322	3,398	3,464	3,534	3,603	3,672		3,322	3,398	3,464	3,534	3,603	3,672
	CBO Baseline		3,322	3,532	3,640	3,757	3,866	3,978		3,245	3,451	3,597	3,711	3,824	3,934
Endowment challenge fund	503 President	0	50	150	200	200	200	200	0	50	150	200	200	200	200
	OMB Baseline		50	175	200	200	200	200		50	175	200	200	200	200
	CBO Baseline		150	175	200	200	200	200		150	175	200	200	200	200

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Canal Zone biological area fund	503 President	150	125	125	130	130	130	130	115	115	130	130	130	130	130
	OMB Baseline		125	125	130	130	130	130		115	130	130	130	130	130
	CBO Baseline		119	135	135	135	135	135		129	135	135	135	135	135
Offsetting Receipts	803 President	0	(4)	(4)	(4)	(4)	(4)	(4)	0	(4)	(4)	(4)	(4)	(4)	(4)
	OMB Baseline		(4)	(4)	(4)	(4)	(4)	(4)		(4)	(4)	(4)	(4)	(4)	(4)
	CBO Baseline		(4)	(4)	(4)	(4)	(4)	(4)		(4)	(4)	(4)	(4)	(4)	(4)
Total, Smithsonian Institution	President	226,906	243,590	270,264	276,021	281,345	286,559	291,525	224,017	244,719	263,531	274,135	275,068	281,070	287,375
	OMB Baseline		243,590	267,519	273,124	278,316	283,415	288,264		244,719	260,843	271,178	271,959	277,894	284,064
	CBO Baseline		243,684	263,499	269,498	275,929	280,901	285,979		247,007	266,827	269,773	274,914	279,771	284,813
Total, Group 0	President	1,088,312	1,161,678	1,299,093	1,276,489	1,350,258	1,341,089	1,424,948	979,009	1,243,282	1,454,019	1,260,330	1,301,314	1,306,365	1,525,495
	OMB Baseline		1,157,222	1,250,428	1,225,824	1,285,468	1,255,791	1,316,571		1,238,826	1,403,129	1,210,524	1,236,294	1,224,738	1,421,586
	CBO Baseline		1,133,589	1,254,278	1,263,436	1,339,954	1,330,301	1,407,065		1,135,974	1,362,813	1,221,595	1,287,155	1,292,534	1,446,702
NOT ON LISTING FROM SBC BUT ON CBO TAPE SENATE															
Legal Counsel	801 President	541	593	633	633	633	633	633	414	593	633	633	633	633	633
	OMB Baseline		593	633	633	633	633	633		593	633	633	633	633	633
	CBO Baseline		575	600	626	653	681	711		572	598	623	651	678	709
HOUSE OF REPRESENTATIVES Compensation of Members and related expenses	801 President	37,633	41,000	44,135	44,135	44,135	44,135	44,135	37,323	41,000	44,135	44,135	44,135	44,135	44,135
	OMB Baseline		41,000	44,135	44,135	44,135	44,135	44,135		41,000	44,135	44,135	44,135	44,135	44,135
	CBO Baseline		37,633	41,472	41,848	42,262	42,262	42,262		37,633	41,299	41,831	42,243	42,262	42,262
Mileage of Members	801 President	144	210	210	210	210	210	210	101	210	210	210	210	210	210
	OMB Baseline		210	210	210	210	210	210		210	210	210	210	210	210
	CBO Baseline		210	221	233	246	260	274		105	111	117	123	130	137

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Widows and heirs of deceased members	801 President	0	150	0	0	0	0	0	0	150	0	0	0	0	0
	OMB Baseline		150	0	0	0	0	0		150	0	0	0	0	0
	CBO Baseline		150	155	155	155	155	155		150	155	155	155	155	155
House leadership offices	801 President	3,213	3,435	3,456	3,456	3,456	3,456	3,456	2,977	3,435	3,456	3,456	3,456	3,456	3,456
	OMB Baseline		3,435	3,456	3,456	3,456	3,456	3,456		3,435	3,456	3,456	3,456	3,456	3,456
	CBO Baseline		3,357	3,663	3,726	3,795	3,836	3,878		3,341	3,632	3,720	3,788	3,832	3,873
Salaries, officers and employees	801 President	46,354	52,858	56,991	56,991	56,991	56,991	56,991	45,068	52,858	56,991	56,991	56,991	56,991	56,991
	OMB Baseline		52,365	56,991	56,991	56,991	56,991	56,991		52,365	56,991	56,991	56,991	56,991	56,991
	CBO Baseline		51,136	56,352	56,863	57,426	57,426	57,426		50,994	56,190	56,847	57,409	57,426	57,426
Members' clerk hire	801 President	162,924	175,354	178,899	178,899	178,899	178,899	178,899	162,908	175,354	178,899	178,899	178,899	178,899	178,899
	OMB Baseline		175,354	178,899	178,899	178,899	178,899	178,899		175,354	178,899	178,899	178,899	178,899	178,899
	CBO Baseline		170,106	187,545	189,207	191,119	191,119	191,119		167,633	184,732	186,408	188,252	188,252	188,252
Committee employees	801 President	42,419	58,713	59,062	59,062	59,062	59,062	59,062	41,822	58,713	59,062	59,062	59,062	59,062	59,062
	OMB Baseline		58,713	59,062	59,062	59,062	59,062	59,062		58,713	59,062	59,062	59,062	59,062	59,062
	CBO Baseline		48,000	52,896	53,376	53,904	53,904	53,904		46,000	50,780	51,241	51,748	51,748	51,748
Committee on Appropriations (Studies)	801 President	4,091	4,300	4,300	4,300	4,300	4,300	4,300	3,975	4,300	4,300	4,300	4,300	4,300	4,300
	OMB Baseline		4,300	4,300	4,300	4,300	4,300	4,300		4,300	4,300	4,300	4,300	4,300	4,300
	CBO Baseline		4,300	4,692	4,773	4,861	4,914	4,967		3,440	3,754	3,818	3,889	3,931	3,974
Committee on the Budget (Studies)	801 President	283	329	346	346	346	346	346	265	329	346	346	346	346	346
	OMB Baseline		329	346	346	346	346	346		329	346	346	346	346	346
	CBO Baseline		329	359	365	372	376	380		287	313	318	324	328	331
Special and select committees	801 President	45,291	49,203	52,418	52,418	52,418	52,418	52,418	43,756	49,203	52,418	52,418	52,418	52,418	52,418
	OMB Baseline		49,203	52,418	52,418	52,418	52,418	52,418		49,203	52,418	52,418	52,418	52,418	52,418
	CBO Baseline		48,311	52,712	53,620	54,611	55,205	55,809		46,379	50,604	51,475	52,427	52,997	53,577

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Allowances and expenses	801 President	124,356	185,684	214,647	214,647	214,647	214,647	214,647	131,019	185,684	214,647	214,647	214,647	214,647	214,647
	OMB Baseline		174,623	214,647	214,647	214,647	214,647	214,647		174,623	214,647	214,647	214,647	214,647	214,647
	CBO Baseline		137,928	146,514	152,329	158,635	164,834	171,133		136,289	145,141	151,398	157,626	163,843	170,125
House use of foreign currency	801 President	3,350	3,360	3,360	3,360	3,360	3,360	3,360	1,402	3,360	3,360	3,360	3,360	3,360	3,360
	OMB Baseline		3,360	3,360	3,360	3,360	3,360	3,360		3,360	3,360	3,360	3,360	3,360	3,360
	CBO Baseline		2,680	2,779	2,892	3,012	3,141	3,272		2,680	2,779	2,892	3,012	3,141	3,272
Total, House of Representatives	President	470,058	574,596	617,824	617,824	617,824	617,824	617,824	470,616	574,596	617,824	617,824	617,824	617,824	617,824
	OMB Baseline		563,042	617,824	617,824	617,824	617,824	617,824		563,042	617,824	617,824	617,824	617,824	617,824
	CBO Baseline		504,220	549,360	559,427	570,398	577,432	584,579		495,011	539,490	550,220	560,996	568,045	575,132
CONGRESSIONAL BUDGET OFFICE															
Salaries and expenses	801 President	16,160	17,930	18,988	19,371	19,761	20,168	20,592	15,678	17,853	18,943	19,328	19,718	20,123	20,546
	OMB Baseline		17,930	18,988	19,371	19,761	20,168	20,306		17,853	18,943	19,328	19,718	20,123	20,290
	CBO Baseline		17,251	18,579	19,158	19,787	20,345	20,911		17,142	18,446	19,100	19,724	20,290	20,654
LIBRARY OF CONGRESS															
Copyright Office	376 President	10,413	10,497	11,794	12,600	13,500	14,400	15,400	10,488	10,412	11,666	12,500	13,400	14,300	15,300
	OMB Baseline		10,497	11,794	12,600	13,500	14,400	15,400		10,412	11,666	12,500	13,400	14,300	15,300
	CBO Baseline		9,875	10,797	10,976	11,172	11,283	11,395		9,921	10,718	10,961	11,155	11,274	11,385
Payments to copyright owners	376 President	98,693	88,000	124,000	124,000	124,000	124,000	124,000	112,435	214,500	125,600	124,000	124,000	124,000	124,000
	OMB Baseline		88,000	124,000	124,000	124,000	124,000	124,000		214,500	125,600	124,000	124,000	124,000	124,000
	CBO Baseline		85,293	102,352	122,822	147,386	176,864	212,236		110,442	91,470	98,087	117,705	141,245	169,494
Offsetting Receipts	503 President	(5,156)	(5,248)	(5,294)	(5,150)	(5,150)	(5,150)	(5,150)	(5,156)	(5,248)	(5,294)	(5,150)	(5,150)	(5,150)	(5,150)
	OMB Baseline		(5,248)	(5,294)	(5,150)	(5,150)	(5,150)	(5,150)		(5,248)	(5,294)	(5,150)	(5,150)	(5,150)	(5,150)
	CBO Baseline		(5,778)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)		(5,778)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Offsetting Receipts	908 President	(8,243)	(3,167)	(4,170)	(4,132)	(4,132)	(4,132)	(4,132)	(8,243)	(3,167)	(4,170)	(4,132)	(4,132)	(4,132)	(4,132)
	OMB Baseline		(3,167)	(4,170)	(4,132)	(4,132)	(4,132)	(4,132)		(3,167)	(4,170)	(4,132)	(4,132)	(4,132)	(4,132)
	CBO Baseline		(8,167)	(8,132)	(8,132)	(8,132)	(8,132)	(8,132)		(8,167)	(8,132)	(8,132)	(8,132)	(8,132)	(8,132)
Total, Library of Congress	President	95,707	90,082	126,330	127,318	125,218	129,118	130,118	109,524	216,497	127,802	127,218	128,118	129,018	130,018
	OMB Baseline		90,082	126,330	127,318	128,218	129,118	130,118		216,497	127,802	127,218	128,118	129,018	130,018
	CBO Baseline		81,223	100,017	120,666	145,426	175,015	210,499		106,410	89,056	95,916	115,728	139,387	167,747
OFFICE OF TECHNOLOGY ASSESSMENT Salaries and expenses	801 President	14,642	16,636	19,270	20,033	20,793	21,583	22,433	14,308	16,471	18,542	19,231	19,952	20,720	21,536
	OMB Baseline		16,296	18,200	18,416	18,627	18,818	18,981		16,121	18,037	18,308	18,521	18,722	18,900
	CBO Baseline		15,532	16,649	17,244	17,891	18,496	19,110		15,354	16,425	17,125	17,762	18,375	18,987
Contributions and donations	801 President	1	3	3	3	3	3	3	1	3	3	3	3	3	3
	OMB Baseline		3	3	3	3	3	3		3	3	3	3	3	3
	CBO Baseline		3	3	3	3	4	4		3	3	3	3	4	4
Total, Office of Technology Assessment	President	14,643	16,639	19,273	20,036	20,796	21,586	22,436	14,309	16,474	18,545	19,234	19,955	20,723	21,539
	OMB Baseline		16,299	18,203	18,419	18,630	18,821	18,984		16,124	18,040	18,311	18,524	18,725	18,903
	CBO Baseline		15,535	16,652	17,247	17,894	18,500	19,114		15,357	16,428	17,128	17,765	18,379	18,991
COMMISSION OF FINE ARTS Salaries and expenses	451 President	364	450	446	451	454	458	462	358	450	446	451	454	458	462
	OMB Baseline		450	473	481	487	492	496		450	473	481	487	492	496
	CBO Baseline		450	489	500	512	522	532		439	488	499	510	521	530
SMITHSONIAN INSTITUTION Repair and renovation of buildings	503 President	3,103	2,400	400	400	400	400	400	0	2,707	2,877	1,426	657	416	400
	OMB Baseline		2,400	400	414	428	440	451		2,707	2,077	1,426	657	440	451
	CBO Baseline		2,400	2,489	2,590	2,698	2,813	2,930		3,103	2,400	2,489	2,590	2,698	2,813
Total, Group I	President	600,576	792,670	713,094	706,033	708,076	790,107	792,465	610,899	829,170	707,070	706,114	707,359	709,195	791,422
	OMB Baseline		690,786	702,051	704,460	705,981	707,496	708,812		817,266	706,592	705,221	705,961	707,255	708,615
	CBO Baseline		621,654	698,136	720,214	757,368	795,700	839,276		638,042	666,492	685,975	717,964	749,998	786,776

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
NOT IN LISTING FROM SBC OR ON CBO TAPE SENATE															
Senate use of foreign currency	801 President	491	0	0	0	0	0	0	1,006	0	0	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		0	0	0	0	0	0
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Recording studio (revolving fund)	801 President	0	0	0	0	0	0	0	(110)	0	0	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		0	0	0	0	0	0
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Senate restaurant fund (revolving fund)	801 President	0	0	0	0	0	0	0	(149)	0	0	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		0	0	0	0	0	0
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Senate barber shops (revolving fund)	801 President	0	0	0	0	0	0	0	(24)	0	0	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		0	0	0	0	0	0
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Total, Senate	President	491	0	0	0	0	0	0	715	0	0	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		0	0	0	0	0	0
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
HOUSE OF REPRESENTATIVES															
Stationery (revolving fund)	801 President	0	0	0	0	0	0	0	(21)	(21)	(21)	(21)	(21)	(21)	(21)
	OMB Baseline		0	0	0	0	0	0		(21)	(21)	(21)	(21)	(21)	(21)
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
House restaurant fund (revolving fund)	801 President	0	0	0	0	0	0	0	315	315	289	315	315	315	315
	OMB Baseline		0	0	0	0	0	0		315	315	315	315	315	315
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**

26-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Recording studio (revolving fund)	801 President	0	0	0	0	0	0	0	(70)	(70)	(70)	(70)	(70)	(70)	(70)
	OMB Baseline		0	0	0	0	0	0		(70)	(70)	(70)	(70)	(70)	(70)
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Beauty shop (revolving fund)	801 President	0	0	0	0	0	0	0	27	27	27	27	27	27	27
	OMB Baseline		0	0	0	0	0	0		27	27	27	27	27	27
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
House barber shops (revolving fund)	801 President	0	0	0	0	0	0	0	2	3	3	3	3	3	3
	OMB Baseline		0	0	0	0	0	0		3	3	3	3	3	3
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Office of the attending physician (revolving fund)	801 President	0	0	0	0	0	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
	OMB Baseline		0	0	0	0	0	0		(2)	(2)	(2)	(2)	(2)	(2)
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Page residence hall and meal plan	801 President	0	0	0	0	0	0	0	(126)	(126)	(126)	(126)	(126)	(126)	(126)
	OMB Baseline		0	0	0	0	0	0		(126)	(126)	(126)	(126)	(126)	(126)
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Total, House of Representatives	President	0	0	0	0	0	0	0	125	126	100	126	126	126	126
	OMB Baseline		0	0	0	0	0	0		126	126	126	126	126	126
	CBO Baseline		ERR	ERR	ERR	ERR	ERR	ERR		ERR	ERR	ERR	ERR	ERR	ERR
JOINT ITEMS Statements of appropriations, Senate	801 President	6	13	13	13	13	13	13	0	13	13	13	13	13	13
	OMB Baseline		13	13	13	13	13	13		13	13	13	13	13	13
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
ARCHITECT OF THE CAPITOL Acquisition of additional Capitol grounds	801 President	0	0	0	0	0	0	0	33	33	0	0	0	0	0
	OMB Baseline		0	0	0	0	0	0		33	0	0	0	0	0
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

			BUDGET AUTHORITY							OUTLAYS						
			1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Congressional cemetery	801	President	0	0	0	0	0	0	0	75	124	0	0	0	0	0
		OMB Baseline		0	0	0	0	0	0		124	0	0	0	0	0
		CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Extension to the New Senate Office Building	801	President	0	0	0	0	0	0	0	249	1,267	0	0	0	0	0
		OMB Baseline		0	0	0	0	0	0		1,267	0	0	0	0	0
		CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Acquisition of property	801	President	0	0	0	0	0	0	0	0	79	0	0	0	0	0
		OMB Baseline		0	0	0	0	0	0		79	0	0	0	0	0
		CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Solar collectors for House buildings	801	President	0	0	0	0	0	0	0	3	47	0	0	0	0	0
		OMB Baseline		0	0	0	0	0	0		47	0	0	0	0	0
		CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Capitol Power Plant expansion	801	President	0	0	0	0	0	0	0	42	54	0	0	0	0	0
		OMB Baseline		0	0	0	0	0	0		54	0	0	0	0	0
		CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Total, Architect of the Capitol		President	0	0	0	0	0	0	0	302	1,604	0	0	0	0	0
		OMB Baseline		0	0	0	0	0	0		1,604	0	0	0	0	0
		CBO Baseline		ERR	ERR	ERR	ERR	ERR	ERR		ERR	ERR	ERR	ERR	ERR	ERR
LIBRARY OF CONGRESS Offsetting Receipts	902	President	(461)	(533)	(539)	(552)	(552)	(552)	(552)	(461)	(533)	(539)	(552)	(552)	(552)	(552)
		OMB Baseline		(533)	(539)	(552)	(552)	(552)	(552)		(533)	(539)	(552)	(552)	(552)	(552)
		CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
SMITHSONIAN INSTITUTION Payment to the endowment challenge fund	503	President	[illegible]	0	0	0	0	0	0	0	497	497	0	0	0	0
		OMB Baseline		0	0	0	0	0	0		497	497	0	0	0	0
		CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**

24-Feb-87

COMMITTEE ON RULES AND ADMINISTRATION

		BUDGET AUTHORITY							OUTLAYS						
		1986	1987	1988	1989	1990	1991	1992	1986	1987	1988	1989	1990	1991	1992
Offsetting Receipts	902 President	0	(150)	(175)	(200)	(200)	(200)	(200)	0	(150)	(175)	(200)	(200)	(200)	(200)
	OMB Baseline		(150)	(175)	(200)	(200)	(200)	(200)		(150)	(175)	(200)	(200)	(200)	(200)
	CBO Baseline		**	**	**	**	**	**		**	**	**	**	**	**
Total, Smithsonian Institution	President	794	(150)	(175)	(200)	(200)	(200)	(200)	0	347	322	(200)	(200)	(200)	(200)
	OMB Baseline		(150)	(175)	(200)	(200)	(200)	(200)		347	322	(200)	(200)	(200)	(200)
	CBO Baseline		ERR	ERR	ERR	ERR	ERR	ERR		ERR	ERR	ERR	ERR	ERR	ERR
Total, Group 2	President	1,030	(670)	(701)	(739)	(739)	(739)	(739)	791	1,557	(104)	(613)	(613)	(613)	(613)
	OMB Baseline		(670)	(701)	(739)	(739)	(739)	(739)		1,557	(78)	(613)	(613)	(613)	(613)
	CBO Baseline		ERR	ERR	ERR	ERR	ERR	ERR		ERR	ERR	ERR	ERR	ERR	ERR
Total, All Groups	President	1,689,918	1,863,698	2,082,286	2,061,783	2,137,595	2,130,537	2,216,674	1,590,689	2,074,009	2,240,985	2,045,181	2,088,060	2,094,947	2,316,304
	OMB Baseline		1,847,338	2,032,578	2,009,545	2,070,710	2,042,548	2,104,644		2,057,649	2,169,643	1,995,132	2,021,642	2,011,380	2,209,588
	CBO Baseline		ERR	ERR	ERR	ERR	ERR	ERR		ERR	ERR	ERR	ERR	ERR	ERR
Group 0 total	CBO Baseline	0	1,133,589	1,254,278	1,263,436	1,339,954	1,330,301	1,407,085	0	1,135,974	1,362,813	1,221,595	1,287,155	1,282,534	1,496,702
Group 1 total	CBO Baseline	0	621,654	688,186	720,214	757,368	795,308	839,276	0	638,042	666,902	685,975	717,964	749,998	786,776
Group 2 total	OMB Baseline	0	(670)	(701)	(739)	(739)	(739)	(739)	0	1,557	(78)	(613)	(613)	(613)	(613)
Total	Total	0	1,754,573	1,941,763	1,982,911	2,096,583	2,124,870	2,245,622	0	1,775,573	2,029,637	1,906,957	2,004,506	2,031,919	2,282,865

(702/b24h.87B24:2000.96L30c)

**-Not on CBO list accompanying Budget Committee letter or in Senate computer file of CBO data.

DALE BUMPERS, ARKANSAS, CHAIR

SAM NUNN, GEORGIA
JAMES R. SASSER, TENNESSEE
MAX BAUCUS, MONTANA
CARL LEVIN, MICHIGAN
ALAN J. DIXON, ILLINOIS
DAVID L. BOREN, OKLAHOMA
TOM HARKIN, IOWA
JOHN F. KERRY, MASSACHUSETTS
BARBARA A. MIKULSKI, MARYLAND

LOWELL WEICKER, JR., CONNECTICUT
RUDY BOSCHWITZ, MINNESOTA
WARREN RUDMAN, NEW HAMPSHIRE
ALFONSE M. D'AMATO, NEW YORK
ROBERT W. KASTEN, JR., WISCONSIN
LARRY PRESSLER, SOUTH DAKOTA
MALCOLM WALLOP, WYOMING
CHRISTOPHER S. BOND, MISSOURI

JOHN W. BALL III, STAFF DIRECTOR
ROBERT J. DOTCHIN, MINORITY STAFF DIRECTOR

United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

March 4, 1987

The Honorable Lawton Chiles
The Honorable Pete V. Domenici
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Lawton and Pete:

This letter represents the Small Business Committee's response to the President's budget proposal for FY 1988 for the programs within the jurisdiction of our Committee. As you know, the programs within the jurisdiction of our Committee are so small as to barely register on the Budget Committee's computer. In the print-out accompanying your letter of February 3, all of SBA's programs totalled appear on the right side of a decimal point, under a system which obviously counts only in billions of dollars.

The Small Business Committee held a hearing on the President's budget proposal on February 24, 1987, and received testimony from Acting Administrator Charles Heatherly and four public witnesses. After two years of bitter conflict with the Administration over the future of SBA, we are pleased that this year's submission does not propose to eliminate the agency, but rather would continue SBA and the bulk of its programs.

Currently, SBA is operating under a three-year authorization, concluding at the end of 1988, which became law as part of P.L. 99-272. This legislation, you will recall, restructured a number of SBA lending programs and produced $2.5 billion in outlay reductions over three years. Despite our past and successful efforts to produce substantial savings, the President's 1988 proposed budget calls for an additional reduction in budget authority of 28 percent over the 1987 estimated level, leaving SBA with a rather modest $379.3 million in budget authority for fiscal year 1988.

While the $2.5 billion in deficit reduction achieved in 1986 now seems all but forgotten, the Senate Small Business Committee does not feel obliged to serve continually as the primary engine of deficit reduction. We favor savings and reforms wherever possible, so long as those savings are not at the expense of needed services and programs for the Nation's 15 million small businesses.

Our comments on the President's budget proposals follow, together with our own views of likely new programs and cost-saving measures.

Section 7(a) Guaranteed Lending Program

Under the present structure of the guaranteed lending program under Section 7(a) of the Small Business Act, various lending programs covering general business, the handicapped, economic opportunity, energy, Section 503 certified development companies, Small Business Investment Companies (SBIC's) and surety bond guaranties are funded separately, with general business lending providing the majority of the loans. The budget proposal calls for a consolidation of these several programs into three: general business, economic assistance and investment assistance.

Although the Committee is not opposed to this programmatic restructuring, we are concerned that the plan includes the elimination of three small but important direct loan programs for the handicapped, Vietnam-era veterans and those qualified for economic opportunity loans, as well as an almost 50 percent reduction in the program level for Minority Enterprise Small Business Investment Companies (MESBIC's). In lieu of elimination of these programs, the Committee proposes restructuring of the direct lending programs, which is discussed in the "New Initiatives" section, infra, and current services with respect to the MESBIC program.

The Administration proposes to increase the guaranty fee charged for 7(a) loans from two percent to four percent, with the borrower paying a three percent fee and the bank paying the remaining one percent. Further, they would reduce the guaranteed percentage on loans. Under current law SBA now guarantees 90 percent of loans of $155,000 and under, from 70 to 85 percent of loans in the range between $155,000 and $714,285, and less than 70 percent of loans exceeding $714,285. These present guaranty levels would be reduced under the proposal to a maximum of 75 percent on all loans up to $714,285 by 1992, with a reduction from 85 percent to 80 percent in the participation rate on the middle-range loans ($155,000 to $714,285) to take place immediately in FY 1988.

In 1985, this Committee proposed that the guaranty fee on 7(a) loans be raised from one to two percent, and this change became law as part of P.L. 99-272. The participation level on loans over $155,000 was reduced from 90 percent to 85 percent in the same measure. During the 1985 review, the Committee concluded that a fee in excess of two percent would be detrimental to the program. Moreover, the Committee has hardly had time to assess the impact of the two percent fee, and it would be precipitous to abruptly add an additional two points to the borrower's burden. Some lenders testified at our recent hearing that even a one percent guaranty fee was often sufficient to cover their losses, and that a reduction in the SBA guaranty level would drive lenders away from the program. The Committee believes that both Administration proposals unnecessarily increase the cost of money to small businesses and tend to undermine the purpose of the guaranteed lending program.

Finally, the budget proposal would establish a first-time fee on the premium derived from the sale of 7(a) guaranteed loans in the secondary market. The proposed fee is 20 percent of any premium realized at the point of original sale into the secondary market. Again, the Committee believes that this proposal will merely increase the cost of money to the borrower, who will likely be charged additional servicing fees to make up for the lender's lost premium. In addition, this proposal will also be a disincentive for lenders to participate in the guaranteed lending program, and particularly in the secondary market in SBA loans, which has been one of this Committee's major legislative initiatives in recent years.

Small Business Investment Company (SBIC) and Minority Enterprise Small Business Investment Company (MESBIC) Programs

The President's budget proposes several changes in the SBA investment company programs, which now provide equity and long-term venture capital for small business growth and development. The budget would eliminate the SBA's ability to purchase preferred stock directly from Minority Enterprise Small Business Investment (MESBIC's). Thus, direct funding for the MESBIC program would be reduced by almost fifty percent from $39 million in 1987 to $20 million in 1988. A new $14 million MESBIC-guaranteed debenture program is proposed in substitution for the direct purchase of preferred stock.

Further, the 100 percent guaranty of Small Business Investment Company (SBIC) debentures would be reduced to 90 percent. Finally, fees charged to recover costs of operating the program would be increased by a full point from the current 1.185 percent to 2.185 percent. Such proposals go to the heart of these programs and the Committee does not support any of them. Like the budget proposals of the past two years, these proposals are unworkable and ill-conceived. The Administration has been unable to answer even the most basic questions about the mechanics of its proposals, such as whether the new species of MESBIC debentures would be 90 percent guaranteed or 100 percent guaranteed, and what effects these changes would have on the cost of money to SBIC's and their business clients.

In recent years direct funding for the MESBIC program has been far less than the demand. Last week during oversight hearings on the President's budget proposal, the Committee received convincing testimony that the continued availability of preferred securities is essential to the survival of the MESBIC industry, particularly so for new MESBIC's in their early years when their inherently risky investments in minority businesses are not profitable. By eliminating preferred stock leverage and by replacing a proven mechanism with a more expensive guaranteed program, the Administration would force MESBIC's to increase interest rates charged to minority businesses. By decreasing funding for the program, the administration will exacerbate the current backlog for leverage funds and probably force some MESBIC's out of business. With the continued uncertainty surrounding the future of the program, there has also been a decline in the number of applications by new licensees. The net effect of this proposal would be to deprive minority businesses of an important source of equity capital.

As to the regular SBIC program, the Congress provided in P.L. 99-272 that SBIC's leveraged funds would come through the sale of debentures, guaranteed by SBA, in the private capital markets rather than to the Federal Financing Bank. Since enactment of this law, there have been two successful private financings, the last having sold at about 80 basis points over the cost of Treasury borrowing. Now the Administration proposes reducing the amount of SBA's guaranty to 90 percent without any assessment of what effect this would have on the cost of borrowing for SBIC's and, in turn, the small businesses that they finance. The Committee believes that if the debentures could be sold at all with only a partial federal guarantee, the cost of the financing would be greatly increased. Additionally, the Administration proposes charging an additional point for processing the debentures.

In sum, the President's budget proposal introduces a panoply of new factors in the successful investment company programs with little or no thought of the ramifications of these changes on the affected industries or on small business generally. Therefore, the Committee opposes these proposals and recommends the 1987 funding level for the investment company programs.

Development Company Loan Guaranty Fees

The Administration's proposal would continue the economic development loan programs, which are now financed in the private capital markets with an SBA guaranty under Section 504 of the Small Business Act. Certified Development Companies (Section 503 companies) supply "brick and mortar" financing to small businesses seeking to expand and create new jobs. The development companies' SBA-guaranteed debenture finances 40 percent of the project, with at least 10 percent coming from the small business and the remaining 50 percent coming from a conventional lender. Small business borrowers now pay up to 4.25 percent in Section 503/504 loan underwriting, administrative and guaranty fees. The proposal would place an additional 1.5 percent up-front guaranty fee on these loans.

The Section 502 loan guaranty fee would also be doubled from one percent to two percent. The Committee believes that these fees, although revenue producing, would undermine the effectiveness of the underlying loan programs, and would unjustifiably result in significantly higher costs for financing by participating small businesses.

Surety Bond Guaranty Program

The Administration has proposed an increase in total guaranty authority for the surety bond guaranty program to $1.250 billion for FY 1988. This proposal is consistent with action taken by the Senate late in 1986 to address an acute shortage in the availability of surety bonding. The Committee wholeheartedly endorses this increase in authority.

At the same time, the Administration proposes to increase the surety fee charged to contractors from $6 per $1,000 coverage to $8 per $1,000, and to increase the percentage of the surety fee charged to applicants from 20 percent to 25 percent. The Committee has seen no evidence that these increases are justified and we oppose this proposal.

Pollution Control Bond Guaranty Authority

The Administration has proposed to eliminate the SBA's authority to guaranty repayment of bonds issued by small businesses to finance construction of pollution control facilities which have been made necessary by state and federal environmental protection legislation. Although the total program level for FY 88 is $78 million, for which CBO estimates budget authority of $15 million and outlays of $16 million, it should be noted that very little outlay savings would be achieved by elimination of the program because of defaults from prior years. Moreover, with Congress' recent enactment of the Resource Conservation Recovery Act and the Clean Water Act, the Committee expects that small businesses may face greatly increasing need for assistance in meeting these new federal standards. Therefore, the Committee opposes the Administration proposal with respect to this program.

Small Business Development Center Program

Small Business Development Centers (SBDC's), which are operated under cooperative agreements between SBA and local entities, often colleges and universities, in 43 states, the District of Columbia, Puerto Rico and the Virgin Islands, are SBA-funded operations which utilize state and local resources to provide management and technical assistance to small businesses. The President's budget proposal would lower the statutory authority for the program from $65 million to $45 million, and would phase out federal funding entirely over a five-year period.

Under the Administration's plan, no new SBDC's would be funded after fiscal 1987. Centers operating in those states which have already reached the statutory maximum for funding by FY 1987 would experience an immediate decrease in funding and have their funds phased down to zero over three years. However, states with newer SBDC's will first be eligible for an increase in funding up to the cap before being phased out over the full five-year period. The Committee objects to the idea of funding level decreases for states with successful centers while funding increases for those states with less experienced centers. It is unlikely that state and local governments would be able to replace federal funding for the SBDC program, and the Committee believes that the Congressional purpose of providing essential business education and training to entrepreneurs would be seriously undermined by the Administration's proposal.

User Fees

The Administration has proposed a large number of user fees, which would become general Treasury revenue, for services which are currently paid for by tax revenues through the normal appropriations process. The proposal states that user fees would provide a step toward program self-sufficiency and make cost burdens more equitable by placing them upon program beneficiaries rather than the general taxpayer. Such fees would be primarily imposed upon those programs which concern business development and procurement assistance.

Although the Administration argues that the requested rates will not inhibit program participation, analysis of the FY 1988 budget shows that user fees are, in fact, predicted by the Administration to result in lower program utilization. The revenue figures for several programs, when divided by fees proposed, show that SBA anticipates drastically lower attendance figures than those recorded for 1986. For example, approximately 135,700 people attended SCORE conferences in FY 1986, while 72,000 are predicted to attend in FY 1988; about 270,000 attended women's, veterans', and international trade conferences in FY 1986, while only 40,000 are anticipated in FY 1988.

Decreased participation in federal procurement assistance alone would jeopardize the many billions that will be saved in the future by small business competition for federal contracts, far more than offsetting the $7.3 million expected to be raised from user fees on all programs. Hence, although the Committee does not categorically oppose user fees in all circumstances, such fees should not be imposed on programs which, in net effect, produce revenue or cost savings for the government. By the same token, small business should not be required to pay through user fees for taxes which the President and Congress are unwilling to impose.

Minority Business Programs

The President's budget proposes the transfer of the Minority Business Development Agency (MBDA) of the Department of Commerce to the Small Business Administration in FY 1988. Current funding for management and technical assistance to minority firms under section 7(j) of the Small Business Act would be reduced from $9.6 to $4.8 million and merged with the $24 million MBDA grant program. Funding for Business

Development Expense (BDE) would be eliminated. Recognizing current budget constraints, the Committee is sympathetic to the stated goals of this merger proposal to reduce costs, avoid program duplication and provide greatly needed assistance to strengthen the minority business assistance program at SBA. The Committee, however, would oppose any plan which would reduce the services provided to the minority business community. Moreover, the Committee is very concerned that the Administration currently has not presented concrete plans for restructuring the programs at SBA to ensure that the minority business community receives at least the same level of services as under present law. Because of this concern, the Committee believes that before the proposed merger occurs, details for its implementation should be presented to Congress.

Disaster Loan Assistance

Under the Disaster Loan programs SBA makes direct loans to homeowners and businesses to cover uninsured losses caused by physical disasters to help repair and replace property lost in the disaster and to restore local communities. The Administration's budget proposes to increase the interest rate charged to disaster victims on loans to a rate comparable to the cost of money to the Government, plus one percent to cover administrative costs. Effective in FY 1989 the proposal would repeal SBA's authority to make disaster financing available to disaster victims who are able to obtain credit elsewhere. Further, the budget proposes selling over the next five years the entire disaster loan portfolio at an estimated return to the Government of 34 cents on a dollar.

The Committee opposes these proposals, particularly the sale of the portfolio at "firesale" prices which are well below the SBA's historical rate of collection on these loans. According to CBO's reestimate of the President's proposal, loss of payments into the disaster loan fund would begin to show up immediately in fiscal year 1988. While outlay savings would be achieved in FY 1987, appropriations would be required to recapitalize the revolving fund beginning in 1990. It should be noted that the Congress has not had to appropriate funds for the disaster loan revolving fund in recent years. Selling the portfolio to generate revenues in FY 1987, as the Administration proposes, would require in FY 1990-92 appropriations of $360 million to continue the program at current levels. Therefore, the Committee strongly opposes the Administration's proposals and recommends the current services levels for the disaster assistance programs.

Areas of Savings

Budget Freeze

Although SBA's resources, particularly in the area of salaries and expenses, are already tightly stretched, the Committee is inclined to impose a one-year freeze on all program levels and on salaries and expenses, with one exception discussed below. CBO has scored a freeze as yielding the following savings over five years relative to the CBO baseline:

	1988	1989	1990	1991	1992	1988-92
BA	-11	-12	-20	-24	-27	-93
OT	-8	-13	-19	-23	-27	-90

Lending Reforms

The Committee intends to pursue lending reforms in three of SBA's direct lending programs which are likely to produce substantial savings. While the Administration has proposed wholesale elimination of the very small direct loan programs for the handicapped, Vietnam-era veterans and the socially and economically disadvantaged, the Committee rejects this suggestion in favor of conversion of these programs to a new, 100 percent SBA-guaranteed loan from a conventional lender. For the handicapped and veterans programs, the Committee contemplates an interest subsidy. CBO has scored an informal proposal from Committee staff as yielding the following savings relative to a one-year freeze baseline:

	1988	1989	1990	1991	1992	1988-92
BA	-55	-49	-41	-36	-32	-194
OT	-30	-47	-38	-32	-29	-176

Additionally, the Committee contemplates reform of the economic development loan program authorized under section 503 of the Small Business Act by removing the program's remaining financing authority with the Federal Financing Bank and financing the program entirely in the private capital markets, with SBA's guaranty of the Development Companies' debentures. This change will produce the following budget savings, according to CBO's estimates and relative to the one-year freeze baseline:

	1988	1989	1990	1991	1992	1988-92
BA	-43	-45	-47	-49	-51	-235
OT	0	-42	-43	-44	-45	-184

New Initiatives

The Committee currently contemplates one major new initiative which would have budgetary impact. Because of continuing concern about the Nation's deplorable posture in international trade and persistent complaints that smaller businesses are unable to penetrate foreign export markets because of our own complex and arcane export procedures, the Committee is considering establishment of a staff of international trade counselors or advocates within the Small Business Administration. Such personnel, who should be posted in most major SBA offices, should have sufficient expertise in trade law, policy and finance to literally walk the small business person through the export maze of banks, trading companies and government offices.

The Committee's best estimate is that such an initiative could require the addition of between sixty and seventy-five new personnnel at the level of GS-12 or 13. Including salary, benefits, training and travel, this initiative would likely cost between $3.5 million and $4.0 million annually, although in the first year it is doubtful that more than two-thirds of this total would be required in outlays.

The Committee notes that other legislative possibilities for deficit reduction exist, but no firm opinion can now be expressed as to the prognosis for these measures. First, the Committee now has under consideration S. 437, by Senator Metzenbaum, which would permit refinancing of outstanding Section 503 debentures now held by the Federal Financing Bank. This bill would likely result in an immediate infusion of cash, but the longer term costs of lost repayments at the existing interest rates cannot now be predicted. CBO now has under consideration a request from Senator Metzenbaum and the Committee staff for a cost estimate on this bill.

Second, the Committee is likely to consider again the proposal to create the Corporation for Small Business Investment (COSBI). This privately-owned entity would purchase the Federal Financing Banks's portfolio of SBIC debentures and would serve as the financing mechanism for the investment company programs in the future. Opposition by the Administration prevented enactment of this proposal last year during the reconciliation process, so its future is uncertain despite support from both the Senate and House Small Business Committees.

Attached is a chart prepared by the Committee staff which summarizes the spending effects of the Committee's proposals. In sum, the Committee anticipates that it might achieve a total savings of $35 million in outlays and $106 million in budget authority for 1988, with five-year total savings of $421.8 million in outlays and $519.8 million in budget authority. Except as noted above, the Committee recommends funding of programs within its jurisdiction at current levels.

Sincerely,

LOWELL WEICKER, Jr.
Ranking Minority Member

DALE BUMPERS
Chairman

SENATE SMALL BUSINESS COMMITTEE
(in millions of dollars)

CBO BASELINE	1987	1988	1989	1990	1991	1992	1988-92
Function 370							
B.A.	525	651	643	648	659	674	3275
O.T.	648	633	668	594	656	643	3194
Function 450							
B.A.	0	0	0	0	0	0	0
O.T.	-163	-244	-230	-217	-204	-190	-1248
Committee Total							
B.A.	525	651	643	648	659	674	3275
O.T.	485	389	438	377	452	453	1946
COMMITTEE SAVINGS PROPOSALS							
1-Year Freeze Proposal							
B.A.	0	-11	-12	-20	-24	-27	-94
O.T.	0	-8	-13	-19	-23	-27	-90
Sec. 503 Reform Proposal (Rel. to 1-yr freeze)							
B.A.	0	-43	-45	-47	-49	-51	-235
O.T.	0	0	-42	-43	-44	-45	-174
Convert Remaining Direct Loans to 100% Guarantees (Rel. to 1-yr freeze)							
B.A.	0	-55	-49	-41	-36	-32	-213
O.T.	0	-30	-47	-38	-32	-29	-176
Committee Trade Initiative							
B.A.	0	3.0	3.8	3.8	3.8	3.8	18.2
O.T.	0	3.0	3.8	3.8	3.8	3.8	18.2
TOTAL							
B.A.	0	-106	-102.2	-104.2	-105.2	-106.2	-519.8
O.T.	0	-35	-98.2	-96.2	-95.2	-97.2	-421.8

ALAN CRANSTON, CALIFORNIA, CHAIRMAN

SPARK M. MATSUNAGA, HAWAII
DENNIS DeCONCINI, ARIZONA
GEORGE J. MITCHELL, MAINE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
BOB GRAHAM, FLORIDA

FRANK H. MURKOWSKI, ALASKA
ALAN K. SIMPSON, WYOMING
STROM THURMOND, SOUTH CAROLINA
ROBERT T. STAFFORD, VERMONT
ARLEN SPECTER, PENNSYLVANIA

JONATHAN R. STEINBERG, CHIEF COUNSEL/STAFF DIRECTOR
ANTHONY J. PRINCIPI, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 27, 1987

Honorable Lawton Chiles
Chairman
Honorable Pete V. Domenici
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D. C. 20510

Dear Lawton and Pete,

Pursuant to section 301(c) of the Congressional Budget Act of 1974, and the unanimous approval of the Committee on Veterans' Affairs at a February 26, 1987, meeting, our Committee is hereby reporting to the Committee on the Budget our views and estimates with respect to the FY 1988 budget for veterans' programs within the jurisdiction of our Committee. This report comprises our Committee's recommendations with regard to programs included in Function 700 (Veterans' Benefits and Services) and certain programs included in Function 500 (Education, Training, Employment, and Social Services).

We have very carefully reviewed the Administration's fiscal year 1988 budget for veterans' programs and the testimony of representatives of the Veterans' Administration, the Department of Labor, veterans' service organizations, and the housing/real estate industry at our February 18 and 19 hearings. In addition, we have had the benefit of the January 1987 "Independent Health Care Budget for Veterans", prepared jointly by the AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars.

In preparing our recommendations, we have given great weight to the urgent need to control federal spending in order to reduce the towering federal deficits. However, we also strongly believe that deficit-reduction efforts must be undertaken in a manner that is fair to our Nation's veterans and consistent with our obligations to those who have served and made such great sacrifices to keep our Nation free and strong.

Against this background, our Committee is recommending what is essentially a current services budget that provides for the activation of newly-constructed medical facilities scheduled to come on line in FY 1988 and for selected, forward-looking initiatives as well as equitable and feasible cost savings.

Specifically, we are recommending Function 700 totals of $28.2 billion in budget authority (BA) and $27.6 billion in outlays. These amounts are $611 million in BA and $917 million in outlays more than is provided for in the President's FY 1988 budget, as reestimated by the Congressional Budget Office (CBO), and $317 million in BA and $231 million in outlays over the CBO baseline. Our specific views are reflected in the enclosed description of our recommendations and the accompanying tables. The tables indicate, account by account, the amounts requested in the Administration's FY 1988 budget (as reestimated), the CBO baseline, the changes we are proposing, and the differences between our recommendations, the Administration request, and the CBO baseline for each account shown.

With respect to VA medical programs (medical care, medical and prosthetic research, and medical administration and miscellaneous operating expenses accounts), we are recommending $406 million in BA and $357 million in outlays above the Administration's budget ($141 million and $130 million, respectively, over the CBO baseline) in order to support a total of 202,813 FTEE (7,471 FTEE above the Administration's request) and to maintain the level of services and staffing from FY 1987, in addition to supporting new activations, and provide for modest program growth in carefully-selected, cost-effective programs such as extended care, community-based services, and programs that provide alternatives to institutional care, as well as in high priority research areas.

With respect to veterans' benefits programs, we recommend the following changes in the Administration's budget: Restoration of 293 FTEE to the Department of Veterans' Benefits; continuation of the VA loan guaranty fee for FY 1988 at one percent; rejection of the Administration's proposal to eliminate the plot allowance in the cases of the vast majority of war veterans; provision of cost-of-living adjustments in service-connected adapted housing and automobile assistance and burial benefits; a new initiative to provide compensation benefits for certain disabilities of veterans who were exposed to ionizing radiation from atmospheric nuclear explosions; continuation of the New GI Bill and the funding of its basic benefits by the VA; and, in Function 500, restoration of 195 Local Veterans' Employment Representatives program FTEE.

With respect to VA-administered credit programs, although the Committee is not proposing any changes in the CBO baseline for FY 1988 at this point, the Committee has concerns, based on the most recent informal VA data regarding the expected VA loan guaranty program participation, that VA loan guaranties in FY 1988 may exceed the $30.4 billion estimate in the baseline for total VA loan commitments.

We wish to emphasize that we have arrived at our recommendations after a thorough review of veterans' programs and extensive efforts to identify areas in which savings and economies could be achieved consistent with the Congress' continuing commitment to meet its obligations to the Nation's veterans and their survivors, and particularly to service-connected disabled veterans, in recognition that the costs of benefits and services for veterans is truly a part of the cost of the wars they fought to protect and preserve our way of life.

These views reflect our best judgment as of this date. If we or the Committee's staff may be of further assistance in your consideration of this report, please feel free to call upon us.

Sincerely,

Alan Cranston
Chairman

Frank H. Murkowski
Ranking Minority Member

Enclosures

cc: All Budget Committee Members

February 27, 1987

DESCRIPTION OF SENATE COMMITTEE ON VETERANS' AFFAIRS RECOMMENDATIONS FOR THE FISCAL YEAR 1988 BUDGET FOR VETERANS' PROGRAMS

The Committee recommends Function 700 totals of $28.247 billion in budget authority (BA) and $27.649 billion in outlays as specified in the attached tables and discussed below. These amounts are $611 million in BA and $917 million in outlays over the Administration's budget request as reestimated by the Congressional Budget Office (CBO) and $317 million in BA and $231 million in outlays over the CBO baseline for the function.

The following discussion highlights changes recommended by the Committee (and shown on the attached tables) in the FY 1988 budget for veterans' programs submitted by the Administration (as reestimated by CBO) and also reflects differences from the CBO baseline for each account.

Subfunction 701, Income Security

Compensation account:

LEGISLATION:

Disability compensation and dependency and indemnity compensation cost-of living adjustment: The Committee will report legislation to provide for an FY 1988 COLA at the same percentage as the FY 1988 COLA in Social Security and VA pension benefits, effective December 1, 1987, the same effective date as the Social Security/VA pension COLA. CBO currently estimates that the COLA will be 4.1 percent. The Administration indicated in its budget that it will propose legislation to index compensation benefits to the annual change in the Consumer Price Index. The Committee is opposed to that legislation.

Cost: No cost as compared to either the Administration budget or CBO baseline. Based on interim acceptance of CBO's estimate of the Social Security/VA pension COLA, the cost as compared to the cost of the program under current law would be $352 million in BA and $317 million in outlays.

Radiation-exposure compensation: The Committee will consider legislation (1) to provide compensation benefits for certain disabilities of veterans who were exposed to ionizing radiation during participation in the occupation of Hiroshima or Nagasaki or atmospheric nuclear weapons tests, and (2) to adjust upward the estimated ionizing radiation exposure levels.

Cost: $62 million in BA and $58 million in outlays as compared to both the Administration budget and CBO baseline.

Compensation account total cost as compared to both the Administration budget and CBO baseline: $62 million in BA and $58 million in outlays.

Burial benefits and miscellaneous assistance account:

LEGISLATION:

Plot Allowance: The Committee rejects the Administration's proposal to eliminate entitlement to the $150 plot allowance in the cases of war veterans who are not in receipt of VA compensation or pension at the time of death and are not buried in a national cemetery.

Cost: $20 million in BA and outlays as compared to the Administration budget; no cost as compared to CBO baseline.

Increase in service-connected burial benefit: The Committee will consider legislation to increase the allowance which the VA pays to defray the funeral and burial expenses for a veteran who dies of service-connected causes. The last increase in this benefit was in 1979. Inflation has since seriously eroded the value of this benefit.

Cost: $10 million in both BA and outlays as compared to both the Administration budget and CBO baseline.

Burial benefits and miscellaneous assistance account total cost as compared to the Administration budget: $30 million in both BA and outlays.

Burial benefits and miscellaneous assistance account total cost as compared to the CBO baseline: $10 million in both BA and outlays.

Veterans insurance and indemnities account: The Administration will propose legislation to transfer funding of Veterans' Mortgage Protection Life Insurance from the Burial benefits and miscellaneous assistance account to the Veterans insurance and indemnities account and to provide for direct VA administration of the program. According to the Administration, this legislation would result in some savings in administrative costs. The Committee expects to act favorably on such legislation.

Cost: No net cost.

Subfunction 702, Veterans' Education, Training and Rehabilitation

Readjustment benefits account:

LEGISLATION:

Specially adapted housing assistance: The Committee will consider legislation to increase by 12.7 percent, from $35,500 to $40,000 effective October 1, 1987, the maximum amount payable in specially adapted housing assistance to certain totally and permanently service-connected disabled veterans with mobility impairments, and by 13 percent, from $6,000 to $6,775 effective October 1, 1987, the maximum amount payable in specially adapted housing assistance to certain veterans who suffer from service-connected blindness or loss or loss of use of both upper extremities. The last increases in these benefits were made in 1985. Inflation has since seriously eroded the value of these benefits.

Cost: $2 million in both BA and outlays as compared to both the Administration budget and CBO baseline.

Automobile Assistance Allowance: The Committee will consider legislation to increase by 10.9 percent, from $5,000 to $5,545 effective October 1, 1987, the maximum amount of the automobile assistance allowance payable to veterans with certain severe service-connected disabilities. The last increase in this benefit was made in 1985. Inflation has since seriously eroded the value of this benefit.

Cost: Less than $500,000 in both BA and outlays as compared to both the Administration budget and CBO baseline.

Administration-proposed transfer of New GI Bill basic benefits funding from VA to DOD: The Committee plans not to report this proposal to transfer funding responsibility for New GI Bill basic benefits from the Readjustment benefits account to DOD, and has ordered favorably reported legislation (S. 12) to make the New GI Bill a permanent program.

Cost (in Function 700 only; equivalent savings in Function 050, National Defense): $18 million in both BA and outlays as compared to the Administration budget; no cost as compared to CBO baseline.

Readjustment benefits account total cost as compared to the Administration budget: $20 million in both BA and outlays.

Readjustment benefits account total cost as compared to the CBO baseline: $2 million in both BA and outlays.

Veterans' Educational Assistance Act Account:

LEGISLATION:

Administration-proposed transfer of New GI Bill basic benefits funding from VA to DOD: The Committee plans not to report this proposal to transfer funding of the basic benefits and budgeting for all benefit costs from the VA to the Defense Department, and has ordered favorably reported legislation (S. 12) to make the New GI Bill a permanent program.

Veterans Educational Assistance Act account total savings as compared to the Administration budget (in Function 700 only; equivalent costs in Function 050, National Defense): $190 million in both BA and outlays; no cost as compared to the CBO baseline.

Veterans' Job Training Act Account (VJTA):

LEGISLATION:

Reauthorization and Homeless Veterans' Eligibility: The Committee has ordered favorably reported legislation (S. 477) to

(a) authorize the appropriation of the unused amount of the FY 1986 authorization as an FY 1987 supplemental or FY 1988 appropriation,

(b) extend eligibility without regard to length-of-unemployment criterion to unemployed veterans with service during the Vietnam era and Korean conflict who either are homeless or have service-connected disabilities rated at 30% or more, and

(c) extend by 6 months, from July 2, 1987, to December 31, 1987, the deadline for a veteran to apply under the VJTA program and by 6 months, from January 2, 1988, to June 30, 1988, the deadline for a veteran to enter training.

In addition, the Committee will consider legislation to authorize FY 1988 and 1989 appropriations of $60 million for each year and programmatic reforms aimed at increasing participation and completion rates and to expand further the eligiblity criteria.

Veterans' Job Training Act account total cost as compared to both the Administration budget and CBO baseline: $60 million in BA and $41 million in outlays.

Subfunction 703, Hospital and Medical Care for Veterans

Medical Care Account:

Maintain FY 1987 staffing in addition to providing staffing for new activations: Provide funding to maintain the FY 1987 authorized staffing level (194,140 FTEE) in addition to providing staffing for new activations (an additional 1,981

FTEE). (The total FTEE add-back over the Administration's request is 5,791 FTEE.)

Cost: $231.3 million in BA and $195.3 million in outlays as compared to the Administration budget.

Additional pay for recruitment and retention purposes: Provide funding for additional pay under current authority to meet recruitment and retention needs with respect to certain health-care personnel in scarce specialities.

Cost: $30 million in BA and $29 million in outlays as compared to the Administration budget.

Extended-care alternatives initiative: Provide funding for substantial expansions of extended-care and geriatric-care programs such as: Hospital-based home care; adult day health care; community residential care; geriatric evaluation units; geriatric research, education, and clinical centers; respite care; and hospice programs. (Add 610 FTEE.)

Cost: $21.8 million in both BA and outlays as compared to the Administration budget.

Conversion of underused acute-care beds to nursing-home beds: Provide funding to convert 268 underused acute-care hospital beds to nursing-home beds in addition to the Administration-proposed conversion of 282 beds. The savings achieved by the additional conversions in this account would be offset by initial capital costs of conversion ($7.3 million in BA and $0.7 million in outlays) as noted below in the item relating to the minor construction account.

Savings: $5.3 million in BA and $4.4 million in outlays as compared to the Adminstration budget.

Costs of AIDS care over amounts allocated for the DRGs involved: The VA estimates that the total cost of AIDS patients will be $49 million in FY 1987 and $72 million in FY 1988. The marginal cost increase over non-AIDS patients with similar DRGs is $32.5 million in 1987 ($25,000 X 1,300 patients) and $47.5 million in 1988 ($25,000 X 1,900 patients). (Add 639 FTEE.)

Cost: $47.5 million in both BA and outlays as compared to the Administration budget.

Anti-Drug Abuse Act: Provide funding for FY 1988 for VA drug and alcohol programs initiated under the Anti-Drug Abuse Act (Public Law 99-570). (Add 90 FTEE.)

Cost: $10.4 million in BA and $8.9 million in outlays as compared to the Administration budget.

Quality Assurance Program: Provide funding to continue the VA's efforts to establish a comprehensive quality assurance program, as required by Public law 99-166. (Add 31 FTEE.)

Cost: $1 million in both BA and outlays as compared to the Administration budget.

Automated Data Processing: The Committee supports the VA's ADP modernization efforts but recommends that ADP procurement funds not be obligated until the Congress has received and considered certain reports, including those Congressionally-mandated, relating to the Decentralized Hospital Computer Program and the Integrated Hospital System pilot program.

Post-graduate inservice training enhancement. Provide additional funding for continuing education to help keep VA medical staff abreast of new developments in the health sciences.

Cost: $10.7 million in BA and $8 million in outlays as compared to the Administration budget.

LEGISLATION:

Homeless veterans care and Vet Center transition postponement: The Committee has ordered favorably reported legislation (S. 477) to authorize the VA to transfer title to certain hard-to-sell VA properties, to make available underutilized VA buildings to be used for temporary shelter for homeless veterans and their families, and to require a two-and-a-half-year (FY's 1987, 1988, and 1989) pilot program of community-based contract care for chronically mentally ill (CMI) homeless veterans and certain outreach, survey, and reporting activities with respect to CMI and homeless veterans. In addition, the bill would postpone for one year the starting date of the transition period of the Vet Center program. (Add 16 FTEE.)

Cost: $13 million in BA and $9 million in outlays as compared to the Administration budget.

Procurement reform: The Committee will consider legislation to provide for procurement reform relating to the purchase of medical supplies and pharmaceuticals.

Savings: $50 million in both BA and outlays as compared to the Administration budget.

Allied Health Professional recruitment and retention initiative: The Committee will consider legislation to provide for the payment of up-front bonuses to certain persons in scarce specialties in exchange for such persons' commitments to serve in VA employ for fixed numbers of years and may consider other legislation to provide additional employment incentives for such persons.

Cost: $70 million in BA and $67 million in outlays as compared to the Administration budget.

State Home per diem adjustment: The Committee will consider legislation to increase by 19.4 percent, from $17.05 to $20.35, effective October 1, 1987, the VA's per diem payments to State Veterans' Homes for nursing home care to eligible veterans. The Committee will also consider legislation to increase the per diem for hospital care to the same amount as the per diem for nursing home care and to increase the per diem for domiciliary care by the same percentage as the increase in the payments for nursing home care. These rates were last increased in 1984. Inflation has since seriously eroded the value of these payments.

Cost: $13 million in both BA and outlays as compared to the Administration budget.

Medical care account total cost as compared to the Administration budget: $393 million in BA and $346 million in outlays.

Medical care account total cost as compared to the CBO baseline: $149 million in BA and $137 million in outlays.

Medical and Prosthetic Research Account:

High priority and AIDS medical research enhancement: Provide additional funding for currently targeted high priority VA medical research in the following areas: research related to aging, alcoholism, schizophrenia, spinal cord injury and tissue regeneration, delayed stress disorders, and the health of former prisoners of war; and for AIDS research, as to which the VA has a unique opportunity -- through cooperative studies -- to make a contribution to developing treatment or a cure. (Add 241 FTEE.)

Cost: $10 million in BA and $8 million in outlays as compared to the Administration budget.

Rehabilitation research enhancement. Provide additional funding for prosthetics and other rehabilitation research projects. (Add 53 FTEE.)

Cost: $3 million in both BA and outlays as compared to the Administration budget.

Medical and prosthetic research account total cost as compared to the Administration budget: $13 million in BA and $11 million in outlays.

Medical and prosthetic research account total savings as compared to the CBO baseline: $14 million in BA and $11 million in outlays.

Major Construction Account:

Nursing home construction: Provide funding for up to 4 unspecified projects in the VA's priority listing pursuant to the agency's established prioritization methodology.

Cost: $20 million in BA and $1 million in outlays as compared to the Administration budget.

Major construction account total cost as compared to the Administration budget: $20 million in BA and $1 million in outlays.

Major construction account total cost as compared to the CBO baseline: $23.3 million in BA and $1.1 million in outlays.

Minor Construction Account:

Conversion of existing beds and space to domiciliary and nursing-home beds: Provide funding for conversion of existing beds and space to domiciliary beds ($2 million in BA and outlays) and (as noted above in the item in the medical care account relating to conversions) to nursing-home beds ($7.3 million in BA and $0.7 million in outlays).

Cost: $9.3 million in BA and $2.7 million in outlays as compared to the Administration budget.

Minor construction account total cost as compared to the Administration budget: $9.3 million in BA and $2.7 million in outlays.

Minor construction account total cost as compared to the CBO baseline: $44.8 million in BA and $3.5 million in outlays.

Parking Garage Revolving Fund Account: Provide for completion of the 4-story San Francisco parking garage.

Cost: $2.5 million in BA and less than $500,000 in outlays as compared to the Administration budget.

Parking Garage Revolving Fund account total cost as compared to both the Administration and CBO baseline: $2.5 million in BA and less than $500,000 in outlays.

State Home Construction Account: Provide funding for part of the backlog of approvable applications.

Cost: $10 million in BA and less than $500,000 in outlays as compared to the Administration budget.

Grants for State Home construction account total cost as compared to the Administration budget: $10 million in BA and less than $500,000 in outlays.

Grants for State Home facilities account total cost as compared to the CBO baseline: $8 million in BA and less than $500,000 in outlays.

Revolving Funds: Restore to the Special Therapeutic and Rehabilitation Activities Fund account the amount required to be paid into the Treasury in connection with the FY 1986 sequestration, $100,000.

Cost: No BA and $100,000 in outlays as compared to the Administration budget.

Special therapeutic and rehabilitation activities fund account total cost as compared to both the Administration budget and CBO baseline: No BA and $100,000 in outlays.

Subfunction 704, Veterans Housing

LEGISLATION:

Loan Guaranty Revolving Fund (LGRF): The Committee will consider legislation to authorize program reforms to reduce losses to the Loan Guaranty Revolving Fund. The Committee is concerned that the proposed sale of the vendee loan portfolio may be neither viable nor wise as a long-term strategy for managing the VA Loan Guaranty Program. The Committee is distressed that the FY 1988 funding requirements for the Loan Guaranty Revolving Fund require an appropriation of $145.8 million to redeem Federal Assets Financing Trust participation certificates. This appropriation has become unexpectedly necessary because the VA failed to set aside adequate funding on a periodic basis to redeem the certificates which mature in August 1988.

Cost: CBO estimates that $190 million is needed to maintain the solvency of the LGRF.

Loan Guaranty Fee: The Administration is proposing an increase in the loan guaranty fee, from 1 percent of the loan amount to 2.5 percent. The Committee rejects this proposal and assumes an extension of the 1-percent loan guaranty fee in FY 1988.

Cost: No BA and $411 in outlays as compared to the Administration budget.

"Without-recourse" portfolio sales: The Administration has announced its intention during FYs 1988-90 to sell from its existing portfolio on a "without-recourse" basis approximately $900 million in vendee loans. The Committee will consider legislation limiting in those years the amounts of vendee loans in the VA's portfolio that may be sold as well as the sale of loans without recourse.

Savings: Not yet available.

Loan guaranty revolving fund total cost as compared to the Administration budget: Not yet available.

Loan guaranty revolving fund total cost as compared to the CBO baseline: Not yet available.

Subfunction 705, Other Veterans Benefits and Services

General Operating Expenses:

Restore Department of Veterans Benefits staffing: Provide funding for staff (293 FTEE) needed to restore the staffing level authorized for FY 1987. The Committee believes that, due to the expected continuing high volume of home loan activity, a large portion of the restoration should be allocated to the Loan Guaranty Service.

Cost: $9.5 million in BA and $8.7 million in outlays as compared to the Administration budget.

Study of Department of Medicine and Surgery Central Office staffing: Provide funding to conduct an in-house study of DM&S Central Office organization, staff responsibilities, and staffing requirements. The Committee may also consider legislation to require the study. (Add 2 FTEE.)

Cost: $100,000 in both BA and outlays as compared to the Administration budget.

Restoration of State Approving Agencies (SAAs) funding: Provide funding to maintain payments to SAAs at approximately the level provided in FY 1987.

Cost: $900,000 in both BA and outlays as compared to the Administration budget.

General operating expenses account total cost as compared to the Administration budget: $10.4 million in BA and $9.6 million in outlays.

General operating expenses account total cost as compared to the CBO baseline: $6.8 million in both BA and outlays.

Function 700 Unspecified Legislative Savings

The Committee recommends that unspecified legislative savings of $20 million in budget authority and outlays be assumed in the budget for Function 700. The Committee is committed to achieving these savings in the event that its other recommendations are substantially achieved in the course of the budget and appropriations processes.

Function 700 savings as compared to both the Administration budget and CBO baseline: $20 million in both BA and outlays.

Function 500, Education, Training, Employment, and Social Services

Local Veterans' Employment Representatives: The Committee recommends adding $7.4 million to the Administration's request for the Subfunction 504 account, Unemployment trust fund (employment and training), to provide funding to restore the Administration-proposed 195 FTEE reduction in Local Veterans' Employment Representatives.

Cost: $7.4 million in BA and $6.8 million in outlays as compared to Administration budget; no cost as compared to the CBO baseline.

February 27, 1987

FISCAL YEAR 1988
FUNCTION 700, VETERANS' BENEFITS AND SERVICES
BUDGET AUTHORITY 1/
(in millions of dollars)

	(a)	(b)	(c)	(c)-(b)	(c)-(a)
	FY 1988 CBO Baseline	FY 1988 Admin. Proposal	FY 1988 SVAC Proposal	SVAC vs. Admin.	SVAC vs. Baseline
Subf. 701, Income security					
Compensation	10,290.5	10,290.5	10,290.5	0	0
Proposed legislation:					
Administration and Committee.--					
Cost-of-living adjustment	351.8	351.8	351.8	0	0
Committee.--					
Radiation-exposure compensation	--	--	62.0	+62	+62
	10,642.3	10,642.3	10,704.3	+62.0	+62.0
Pensions	3,767.3	3,767.3	3,767.3	0	0
Burial benefits & misc. assist.	135.3	135.3	135.3	0	0
Proposed legislation:					
Administration.--Restrict entitlement to plot allowance	0	-20.0	0	+20.0	0
Committee.--Increase service-connected burial benefit	--	--	10.0	+10.0	+10.0
	135.3	115.3	145.3	+30.0	+10.0
Insurance Accounts	1,404.9	1,409.2	1,409.2	0	+4.2
Insurance Receipts	-404.3	-404.3	-404.3	0	0
	1,000.6	1,004.9	1,004.9	0	+4.2
SUBTOTAL, Subf. 701	**15,545.5**	**15,529.7**	**15,621.7**	**+92.0**	**+76.2**
Subf. 702, Veterans' education, training & rehabilitation					
Readjustment benefits	642.0	642.0	642.0	0	0
Proposed legislation:					
Administration.--					
Transfer New GI Bill basic benefits funding from VA to DOD	0	-18.0	0	+18.0 2/	0
Committee.--Cost-of-living adjustments in benefits for certain service-connected disabled veterans:					
Specially adapted housing	--	--	2.0	+2.0	+2.0
Automobile assistance	--	--	*	*	*
	642.0	624.0	644.0	+20.0	+2.0

Budget Authority	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Veterans Job Training Act	0	0	0	0	0
Proposed legislation:					
Committee.--Extend unused $30 million FY 86 authorization of appropriation to FY 87 and authorize FY 88 and 89 appropriations of $60 million	--	--	60.0	+60.0	+60.0
	0	0	60.0	+60.0	+60.0
Post-Vietnam era veterans education	201.9	201.9	201.9	0	0
Veterans Educational Assistance Act					
Proposed legislation:					
Administration.--Transfer funding of New GI Bill basic benefits from VA to Defense Department	0	190.0	0	-190.0 2/	0
Other education benefits	277.0	277.0	277.0	0	0
Education receipts	-636.0	-636.0	-636.0	0	0
SUBTOTAL, Subf. 702	**485.0**	**657.0**	**547.0**	**-110.0**	**+62.0**
Subf. 703, Hospital & medical care for veterans					
Medical care	10,212.0	9,967.6	9,967.6	0	-244.4
Committee proposals for funding in addition to Administration requests:					
Provide 3,810 FTEE to maintain currently-authorized FTEE level (194,140 FTEE) in addition to providing for new activations (1,981 FTEE) -- Total FTEE: 196,121	--	0	231.3	+231.3	--
Extended-care alternatives initiative (Add 610 FTEE)	--	0	21.8	+21.8	--
Additional pay for recruitment and retention of scarce-specialty personnel	--	0	30.0	+30.0	--
AIDS treatment costs above costs for applicable DRGs (Add 639 FTEE)	--	0	47.5	+47.5	--
Continuation in FY 88 of Anti-Drug Abuse Act funding provided for in FY 87 (Add 90 FTEE)	--	0	10.4	+10.4	--
Add 268 beds to VA's proposed conversion of acute-care beds to extended-care (New total of 550 beds)	--	0	-5.3	-5.3	--

Budget Authority	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Postgraduate inservice training enhancement	--	0	10.7	+10.7	--
Quality assurance program implementation enhancement (Add 31 FTEE)	--	0	1.0	+1.0	--
Committee Members' legislation:					
State Home per diem adjustment	--	0	13.0	+13.0	--
Homeless, chronically mentally ill veterans care and report, pilot program, outreach, survey, and report (Add 16 FTEE)	--	0	13.0	+13.0	--
Allied Health Professional recruitment and retention initiative	--	0	70.0	+70.0	--
Procurement reform	--	0	-50.0	-50.0	--
	10,212.0	9,967.6	10,361.0	+393.4	+149.0
Medical & prosthetic research	225.9	198.8	198.8	0	-27.1
High priority and AIDS research (Add 241 FTEE)	--	0	10.0	+10.0	--
Rehabilitation research (Add 53 FTEE)	--	0	3.0	+3.0	--
	225.9	198.8	211.8	+13.0	-14.1
Medical administration and miscellaneous operating expenses	44.2	49.8	49.8	0	+5.6
Major construction	397.3	400.6	400.6	0	+3.3
Nursing home construction	--	0	20	+20	--
	397.3	400.6	420.6	+20	+23.3
Minor construction	85.5	121.0	121.0	0	+35.5
Conversion of existing beds and space to 948 domiciliary-care and 268 nursing-home beds (Add 268 nursing-home beds to VA's proposed conversion)	--	0	9.3	+9.3	--
	85.5	121.0	130.3	+9.3	+44.8
Grants for State Home construction	44.0	42.0	42.0	0	-2.0
Provide funding for part of the backlog of approvable applications	--	0	10.0	+10.0	--
	44.0	42.0	52.0	+10.0	+8.0
Grants to the Philippines	0.5	0.5	0.5	0	0
Parking Garage Revolving Fund	4.1	4.1	4.1	0	0
Provide for completion of the 4-story San Francisco parking garage	--	0	2.5	+2.5	--
	4.1	4.1	6.6	+2.5	+2.5

	(a)	(b)	(c)	(c)-(b)	(c)-(a)
Budget Authority	FY 1988 CBO Baseline	FY 1988 Admin. Proposal	FY 1988 SVAC Proposal	SVAC vs. Admin.	SVAC vs. Baselin
Special therapeutic and rehabilitation activities fund 3/	0	0	0	0	0
Reimbursements for medical care	-220	-220	-220	0	0
SUBTOTAL, Subf. 703	**10,793.5**	**10,564.4**	**11,012.6**	**+448.2**	**+219.1**
Subf. 704, Veterans housing					
Loan guaranty revolving fund	190.4	190.4	190.4 4/	0	0
Administration proposed sale of portfolio loans	--	-190.4	0	+190.4	--
Proposed legislation:					
Administration.--Increase loan guaranty fee from 1% to 2.5%	--	0	0	0	--
Committee.--					
Program reforms to reduce loan program losses	--	--	N/A	N/A	N/A
Limitation on vendee-loan portfolio sales and on sales of loans "without recourse"	--	--	N/A	N/A	N/A
SUBTOTAL, Subf. 704	**190.4**	**0**	**190.4**	**+190.4**	**0**
Subf. 705, Other veterans benefits and services					
General operating expenses	819.7	816.1	816.1	0	-3.6
Restore Department of Veterans Benefits staffing (293 FTEE)	--	0	9.5	+9.5	--
In-house study of Department of Medicine and Surgery Central Office staffing (2 FTEE)	--	0	*	*	--
Restoration of State Approving Agencies funding	--	0	0.9	+0.9	--
	819.7	816.1	826.5	+10.4	+6.8
Grants for state cemeteries	3.0	0	0	0	-3.0
General post fund	15.0	15.0	15.0	0	0
American Battle Monuments Commission	12.5	12.9	12.9	0	+0.4
DOD cemeterial expenses **	16.6	8.5	8.5	0	-8.1

Budget Authority	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Soldiers' & Airmen's Home **	48.6	32.2	32.2	0	-16.4
SUBTOTAL, Subf. 705	**915.5**	**884.8**	**895.1**	**+10.4**	**-20.3**
Unspecified legislative savings 5/	--	--	-20.0	-20.0	-20.0
TOTAL, FUNCTION 700 BUDGET AUTHORITY	27,929.9	27,635.9	**28,246.8**	**+610.9**	**+316.9**

FISCAL YEAR 1988
FUNCTION 500, EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
BUDGET AUTHORITY
(in millions of dollars)

Subf. 504, Department of Labor

Restoration of Local Veterans' Employment Representatives reduction (195 FTEE)	--	0	7.4	+7.4	--

NOTES:

* Less than $500,000.

** Not within the Committee on Veterans' Affairs jurisdiction, but included here (at the Administration's proposed level) for the purpose of presenting overall Function 700 totals.

1/ Budget figures based on CBO reestimates, 2/10/87.

2/ No overall budgetary effect; savings in Function 700 are offset by equivalent Function 050 costs.

3/ Outlays only: $100,000.

4/ The Committee's mark assumes an extension of the 1-percent loan guaranty fee in FY 1988.

5/ The Committee recommends that unspecified legislative savings of $20 million budget authority and outlays be assumed in the budget for Function 700. The Committee is committed to achieving these savings in the event that its other recommendations are substantially achieved in the course of the budget and appropriations processes.

February 27, 1987

FISCAL YEAR 1988
FUNCTION 700, VETERANS' BENEFITS AND SERVICES
OUTLAYS 1/
(in millions of dollars)

	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Subf. 701, Income security					
Compensation	10,315.9	10,315.9	10,315.9	0	0
Proposed legislation:					
Administration and Committee.--					
Cost-of-living adjustment	316.9	316.9	316.9	0	0
Committee.--					
Radiation-exposure compensation	--	--	58.0	+58.0	+58.0
	10,632.8	10,632.8	10,690.8	+58.0	+58.0
Pensions	3,768.2	3,768.2	3,768.2	0	0
Burial benefits & misc. assist.	135.3	135.3	135.3	0	0
Proposed legislation:					
Administration.--Restrict entitlement to plot allowance	0	-20.0	0	+20.0	0
Committee.--Increase service-connected burial benefit	--	--	10.0	+10.0	+10.0
	135.3	115.3	145.3	+30.0	+10.0
Insurance Accounts	1,062.7	1,066.9	1,066.9	0	+4.2
Insurance Receipts	-404.4	-404.4	-404.4	0	0
	685.3	662.5	662.5	0	+4.2
SUBTOTAL, Subf. 701	**15,194.6**	**15,178.8**	**15,266.8**	**+88.0**	**+72.2**
Subf. 702, Veterans' education, training & rehabilitation					
Readjustment benefits	661.0	661.0	661.0	0	0
Proposed legislation:					
Administration.--					
Transfer New GI Bill basic benefits funding from VA to DOD	0	-18.0	0	+18 2/	0
Committee.--Cost-of-living adjustments in benefits for certain service-connected disabled veterans:					
Specially adapted housing	--	--	2.0	+2.0	+2.0
Automobile assistance	--	--	*	*	*
	661.0	643.0	663.0	+20.0	+2.0

Outlays	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Veterans Job Training Act	5.5	5.5	5.5	0	0
Proposed legislation:					
Committee.--Extend unused $30 million FY 86 authorization of appropriation to FY 87 and authorize FY 88 and 89 appropriations of $60 million	--	--	41.0	+41.0	+41.0
	5.5	5.5	46.5	+41.0	+41.0
Post-Vietnam era veterans education	219.6	219.6	219.6	0	0
Veterans Educational Assistance Act					
Proposed legislation:					
Administration.--Transfer funding of New GI Bill basic benefits from VA to Defense Department	0	190.0	0	-190.0 2/	0
Other education benefits	73.6	73.5	73.5	0	-0.1
Education receipts	-635.9	-635.9	-635.9	0	0
SUBTOTAL, Subf. 702	**323.8**	**495.7**	**366.7**	**-129.0**	**+42.9**
Subf. 703, Hospital & medical care for veterans					
Medical care	9,970.1	9,760.9	9,760.9	0	-209.2
Committee proposals for funding in addition to Administration requests:					
Provide 3,810 FTEE to maintain currently-authorized FTEE level (194,140 FTEE) in addition to providing for new activations (1,981 FTEE) -- Total FTEE: 196,121	--	0	195.3	+195.3	--
Extended-care alternatives initiative (Add 610 FTEE)	--	0	21.8	+21.8	--
Additional pay for recruitment and retention of scarce-specialty personnel	--	0	29.0	+29.0	--
AIDS treatment costs above costs for applicable DRGs (Add 639 FTEE)	--	0	47.5	+47.5	--
Continuation in FY 88 of Anti-Drug Abuse Act funding provided for in FY 87 (Add 90 FTEE)	--	0	8.9	+8.9	--

Outlays	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baselin
Add 268 beds to VA's proposed conversion of acute-care beds to extended-care (New total of 550 beds)	--	0	-4.4	-4.4	--
Post-graduate inservice training enhancement	--	0	8.0	+8.0	--
Quality assurance program implementation enhancement (Add 31 FTEE)	--	0	1.0	+1.0	--
Committee Members' legislation:					
State Home per diem adjustment	--	0	13.0	+13.0	--
Homeless, chronically mentally ill veterans care and report, pilot program, outreach, survey, and report (Add 16 FTEE)	--	0	9.0	+9.0	--
Allied Health Professional recruitment and retention initiative	--	0	67.0	+67.0	--
Procurement reform	--	0	-50.0	-50.0	--
	9,970.1	9,760.9	10,107.0	+346.1	+136.9
Medical & prosthetic research	223.0	200.9	200.9	0	-22.1
High priority and AIDS research (Add 241 FTEE)	0	0	8.0	+8.0	+8.0
Rehabilitation research (Add 53 FTEE)	0	0	3.0	+3.0	+3.0
	223.0	200.9	211.9	+11.0	-11.1
Medical administration and miscellaneous operating expenses	43.4	47.7	47.7	0	+4.3
Major construction	413.4	413.5	413.5	0	+0.1
Nursing home construction	--	0	1.0	+1.0	--
	413.4	413.5	414.5	+1.0	+1.1
Minor construction	121.7	122.5	122.5	0	+0.8
Conversion of existing beds and space to 948 domiciliary-care and 268 nursing-home beds (Add 268 nursing-home beds to VA's proposed conversion)	--	0	2.7	+2.7	--
	121.7	122.5	125.2	+2.7	+3.5
Grants for State Home construction	33.3	33.3	33.3	0	0
Provide funding for part of the backlog of approvable applications	--	0	0	0	—
	33.3	33.3	33.3	0	0
Grants to the Philippines	0.5	0.5	0.5	0	0

Outlays	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Parking Garage Revolving Fund	6.5	6.5	6.5	N/A	N/A
Provide for completion of the 4-story San Francisco parking garage	--	0	*	*	--
	6.5	6.5	6.5	0	0
Special therapeutic and rehabilitation activities fund 3/	0	0	*	*	*
Reimbursements for medical care	-220.0	-220.0	-220.0	0	0
SUBTOTAL, Subf. 703	**10,591.9**	**10,365.7**	**10,726.6**	**+360.9**	**+134.7**
Subf. 704, Veterans housing					
Direct loan revolving fund	-25.0	-25.0	-25.0	0	0
Loan guaranty revolving fund	267.2	267.2	267.2 4/	0	0
Administration proposed sale of portfolio loans	0	-195.9	0	+195.9	0
Proposed legislation:					
Administration.--Increase loan guaranty fee from 1% to 2.5%	0	-411.1	0	+411.1	0
Committee.--					
Program reforms to reduce loan program losses	--	--	N/A	N/A	N/A
Limitation on vendee-loan portfolio sales and on sales "without recourse"	--	--	N/A	N/A	N/A
HUD/Government National Mortgage Association (veterans housing) **	153.4	153.4	153.4	0	0
SUBTOTAL, Subf. 704	**395.6**	**-211.4**	**395.6**	**+607.0**	**0**
Subf. 705, Other veterans benefits and services					
General operating expenses	814.9	812.1	812.1	0	-2.
Restore Department of Veterans Benefits staffing (293 FTEE)	--	0	8.7	+8.7	--
In-house study of Department of Medicine and Surgery Central Office staffing (2 FTEE)	--	0	*	*	--
Restoration of State Approving Agencies funding	--	0	0.9	+0.9	--
	814.9	812.1	821.7	+9.6	+6

Outlays	(a) FY 1988 CBO Baseline	(b) FY 1988 Admin. Proposal	(c) FY 1988 SVAC Proposal	(c)-(b) SVAC vs. Admin.	(c)-(a) SVAC vs. Baseline
Grants for state cemeteries	2.8	2.8	2.8	0	0
Canteen Service Revolving Fund	2.1	2.1	2.1	0	0
General post fund	14.0	14.0	14.0	0	0
American Battle Monuments Commission	12.3	12.7	12.7	0	+0.4
DOD cemeterial expenses **	22.4	15.9	15.9	0	-6.5
Soldiers' & Airmen's Home **	43.7	43.7	43.7	0	0
SUBTOTAL, Subf. 705	**912.2**	**903.3**	**913.0**	**+9.6**	**+0.7**
Unspecified legislative savings 5/	--	--	-20	-20	-20
TOTAL, FUNCTION 700 OUTLAYS	**27,418.2**	**26,732.2**	**27,648.7**	**+916.5**	**+230.5**

FISCAL YEAR 1988
FUNCTION 500, EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
BUDGET AUTHORITY
(in millions of dollars)

Subf. 504, Department of Labor					
Restoration of Local Veterans' Employment Representatives reduction (195 FTEE)	--	0	6.8	+6.8	--

NOTES:

* Less than $500,000.

** Not within the Committee on Veterans' Affairs jurisdiction, but included here (at the Administration's proposed level) for the purpose of presenting overall Function 700 totals.

1/ Budget figures based on CBO reestimates, 2/10/87.

2/ No overall budgetary effect; savings in Function 700 are offset by equivalent Function 050 costs.

3/ Outlays only: $100,000.

4/ The Committee's mark assumes an extension of the 1-percent loan guaranty fee in FY 1988.

5/ The Committee recommends that unspecified legislative savings of $20 million budget authority and outlays be assumed in the budget for Function 700. The Committee is committed to achieving these savings in the event that its other recommendations are substantially achieved in the course of the budget and appropriations processes.

DANIEL K. INOUYE, HAWAII, CHAIRMAN
DANIEL J. EVANS, WASHINGTON, VICE-CHAIRMAN

JOHN MELCHER, MONTANA
DENNIS DeCONCINI, ARIZONA
QUENTIN N. BURDICK, NORTH DAKOTA
THOMAS A. DASCHLE, SOUTH DAKOTA

FRANK H. MURKOWSKI, ALASKA
JOHN McCAIN, ARIZONA

ALAN R. PARKER, STAFF DIRECTOR
PATRICIA M. ZELL, CHIEF COUNSEL
JOE MENTOR, JR., MINORITY COUNSEL

United States Senate
SELECT COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-6450

LETTER OF TRANSMITTAL

February 25, 1987

Honorable Lawton Chiles, Chairman
Honorable Pete V. Domenici, Ranking Minority Member
Committee on the Budget, U. S. Senate
Washington, D.C. 20510

Dear Chairman Chiles and Senator Domenici:

In accordance with the provisions of Section 301(c) of Public Law 93-344, we are enclosing the Report of the Select Committee on Indian Affairs on Administration budget requests for Indian programs for fiscal year 1988.

The recommendations the Select Committee on Indian Affairs is making in this Report are for those programs over which the Committee has authorizing jurisdiction. These include: Bureau of Indian Affairs, Indian Health Service, Title IV of the Indian Education Act administered by the Department of Education, and the Administration for Native Americans in the Department of Health and Human Services.

This Committee also has oversight responsibility over the Indian housing programs administered by the Department of Housing and Urban Development and the Office of Native American Programs within the Department of Labor. Although the budgets for these programs are reported on by other Senate Committees, the Select Committee on Indian Affairs has examined the FY '88 budget for those programs and this Report contains certain recommendations regarding the Administration's FY '88 proposals.

On February 19, 1987, the Select Committee on Indian Affairs conducted a hearing on the Administration's FY '88 proposed budget and at this hearing it was determined that the Administration is requesting the following:

BIA: BIA is requesting $984,988,000 as compared to the FY '87 appropriation to date of $1,019,835,000, which involves a decrease of $33,847,000. The Select Committee on Indian Affairs recommends a budget for FY '88 of $1,084,212,000 which reflects an increase of $64,377,000 over FY '87.

IHS: IHS Administration's budget request for FY '88 is $796,835,000, as compared to an FY '87 appropriation of $929,064,000, for a difference of $138,299,000. The Select Committee's recommendation for the IHS FY '88 budget is $997,620,000, which is a total of $68,556,000 over 1987 and includes a 3% increase based on a disproportionate increase in the cost of health care services which has impacted the national economy in general.

DOE: Title IV of the Indian Education Act budget request for FY '88 is $64,036,000. The Select Committee's recommendation is $64,884,000.

ANA: ANA's budget has folded into a $2.2 billion generic appropriation for all social service services administered by the Office of Human Development Services. The Committee could not determine at the hearing on what basis the ANA funding level would be established under this proposal. Consequently, the Committee recommends that ANA funds be earmarked out of this generic appropriation in the amount of $29,989,000, an increase of $1 million over the FY '87 appropriation of $28,989,000.

We have provided in this Report a more detailed program-by-program analysis for each agency budget over which the Committee exercises jurisdiction. In each instance, justification is provided for the Committee's recommended funding level.

We have also discussed in our Report non-budgetary policy initiatives which are described principally in the Administration's BIA budget justification statement. With respect to the policy initiatives which are discussed infra, we believe it is important to note that they are all opposed by representatives of the Indian tribes and/or organizations and the common thread of this opposition is the lack of consultation on the part of the Administration prior to initiating these proposals. This Government's responsibility to Indian tribes and people is based on long standing, well established policies derived from the unique constitutional status of Indian tribes as implemented in numerous treaty agreements, Acts of Congress, and Executive decisions. In 1934, the Congress mandated consultation with Indian tribes in Section 476 of the Indian Reorganization Act (25 USC), prior to the submittal of budget proposals to the Congress. Moreover, in his 1983 Policy Statement, President Reagan made a solemn commitment to consult with the Indian tribes based on the Government-to-Government relationship between Indian tribes and the Federal Government. We would note that the Congress is deprived of the benefit of the input of the tribes on these proposals in the absence of consultation.

Before concluding, we would like to bring particular attention to the Administration's proposal for Indian Health Service funding. The extraordinary reduction in funding levels proposed by the Administration in direct health care services, health care facilities, and contract health care services is simply astounding and cannot be tolerated. Accordingly, the Committee has recommended an appropriate level of funding and urges prompt action by the Congress in this matter.

DANIEL K. INOUYE
CHAIRMAN

Daniel J Evans

DANIEL J. EVANS
VICE-CHAIRMAN

100th Congress
1st Session

S. Prt.
100-

BUDGET VIEWS AND ESTIMATES
FOR FISCAL YEAR 1988

A REPORT

Submitted To The

BUDGET COMMITTEE

(Pursuant to Section 301(c) of Public Law 93-344)

Prepared By The

SELECT COMMITTEE ON INDIAN AFFAIRS
UNITED STATES SENATE

February, 1987

Printed for the use of the Select Committee on Indian Affairs

---

U.S. Government Printing Office

Washington: 1987

SELECT COMMITTEE ON INDIAN AFFAIRS

DANIEL K. INOUYE, Hawaii, Chairman
DANIEL J. EVANS, Washington, Vice-Chairman

JOHN MELCHER, Montana
DENNIS DECONCINI, Arizona
QUENTIN BURDICK, North Dakota
THOMAS DASCHLE, South Dakota

FRANK MURKOWSKI, Alaska
JOHN MCCAIN, Arizona

Alan R. Parker, Staff Director
Patricia Zell, Chief Counsel
Joe Mentor, Jr., Minority Counsel

PART I

INTRODUCTION

The Select Committee on Indian Affairs is the authorizing Committee for program operations of the Bureau of Indian Affairs (BIA) in the Department of the Interior, Indian Health Service (IHS) and Administration for Native Americans (ANA), in the Department of Health and Human Services (HHS), and the Office of Indian Education (OIE) in the Department of Education. In addition, the Committee has oversight responsibility for operation of programs in other agencies affecting Indians, including the Indian Housing program of HUD.

Specifically, Senate Resolution 4, the Committee System Reorganization Amendments, charges the Select Committee as follows:

> It shall be the duty of the Select Committee to conduct a study of any and all matters pertaining to problems and opportunities of Indians, including but not limited to, Indian land management and trust responsibilities, Indian education, health, special services, and loan programs, and Indian claims against the United States.
>
> The Select Committee shall from time to time report to the Senate, by bill or otherwise, its recommendations with respect to matters referred to the Select Committee or otherwise within its jurisdiction.

In furtherance of this responsibility, the Select Committee, on February 19, 1987, held oversight hearings on FY'88 budget submissions of the BIA, IHS, ANA, HUD, and the Office of Indian Education.

The programs administered by the BIA, IHS, ANA, HUD, and the Office of Indian Education, as well as those of other Federal agencies with Indian programs are of an extremely broad scope, literally spanning the breadth of Federal, State, and local governments, but with the addition of protection and management of trust resources of Indian people and Indian tribes to which the United States has a trust responsibility.

The Federal budget, as it relates to Indian programs, must be considered in the context of the unique relationship that the United States maintains with the Indian tribes and the Alaska Native communities.

Federal policy has long recognized that Indian tribes within the boundaries of the United States are "domestic, dependent nations." As such, the Supreme Court has held that the tribes have surrendered only those powers of sovereignty which are inconsistent with their dependent status. All other governmental powers still remain. As a result, Indian tribes are not political subdivisions of the states nor are they local governments within the meaning of most state and Federal statutes. Rather, the tribes and the United States exercise a direct government-to-government relationship with one another.

In 1934, in furtherance of this policy, Congress enacted the Indian Reorganization Act (Act of June 18, 1934; 25 U.S.C. 461 et seq.) setting forth a new policy toward the Indian tribes and providing, among other things, for the political reorganization of the tribes in accordance with the terms of that Act if the tribes so chose. In 1936, the provisions of this Act were extended to the Territory of Alaska (Act of May 1, 1936, 25 U.S.C. 473a) and a separate Act with similar provisions pertaining to tribes in Oklahoma was enacted (Act of June 26, 1936; 25 U.S.C. 501 et seq.).

In contrast with this Federal relationship, the historical relationship of Indian tribes and the states has been one of separation. Tribes are not political subdivisions of states and thus often do not receive funding assistance from state governments. In addition, in the absence of specific legislative directives, Federal pass-through monies allocated to states all too frequently are not passed through to the tribe. In examining Federal budget allocations or reductions in Indian programs, it is thus necessary to consider that (1) tribes do not generally receive supplemental funding from state governments on the same basis as county and municipal governments; (2) that tribes for the most part do not have other sources for raising revenues that state or local governments enjoy; and, (3) that there is a direct government-to-government relationship between the United States and the Indian tribes. Thus, when Federal monies for Indian programs are reduced or eliminated there is no replacement source to which the tribes can look.

A counterpart to the government-to-government relationship of the United States with the Indian tribes is the trust relationship and the obligations this imposes on the United States not only with respect to protection of trust resources but in assuring delivery of services to the Indian people at least commensurate with that delivered to our non-Indian citizens. At the reservation level, this obligation is obvious. While it is less obvious, it is just as real for off-reservation programs. During the decade of the 70's, Congress, in a number of Acts, specifically recognized the needs of Indians living in urban and rural off-reservation areas. Thus, an Indian component was included in the Comprehensive Employment and Training Act (CETA) enacted in 1973; and is now carried forward as the Job Partnership Training Act; education benefits were extended to off-reservaton Indians through the Indian Education Act of 1972; health programs consisting principally of outreach and referral but also of some direct care services were extended to off-reservation Indians through enactment of the Indian Health Care Improvement Act of 1976; and authorization of funding for Indian child welfare programs was provided with enactment of the Indian Child Welfare Act of 1978. Beginning in the 1960's, the

Administration for Native American Programs within HHS continues service to Alaskan Natives, Hawaiians, and American Indians both on and off reservations. Each of these programs was enacted after extensive hearings and on the basis of ascertained need of the service population which was not being met by state or local governments.

This budget report is provided in two parts: Part I provides in table form the Committee's recommendations for the next five year period for the major program categories; Part II is more detailed and provides both table format and text discussion of the FY'88 budget recommendations.

BUREAU OF INDIAN AFFAIRS FISCAL YEAR 1988 BUDGET REQUEST

(In thousands of dollars)

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommend FY '88	FY '89	FY '90	FY '91	FY '92
Education (Subfunction 501)								
School Operations	190,871	193,851	189,811	199,837	201,945	204,080	206,235	208,409
Johnson O'Malley	22,750	20,351	20,351	29,655	29,968	30,285	30,605	30,928
Continuing Ed.	58,559	26,911	25,869	65,683	66,376	67,078	67,786	68,500
Subtotal	272,180	241,113	236,031	295,175	298,289	301,443	304,626	307,837
Indian Services (Subfunction 452)								
Tribal Govt. Services	32,429	6,770	5,692	6,692	6,926	7,181	7,421	7,662
Social Services	111,601	89,969	90,516	97,775	101,197	104,913	108,432	111,952
Law Enforcement	53,413	7,438	3,177	3,177	6,777	7,014	7,272	7,760
Self-Determination Svcs.	21,624	45,618	50,682	52,615	54,456	56,456	58,350	60,244
Employment Asst.	0	2,225	2,436	2,634	2,726	2,826	2,921	3,016
Tribe/Agency Operations	0	150,052	146,901	123,753	128,084	132,787	137,242	141,697
Subtotal	219,067	302,072	299,404	290,246	300,403	311,435	321,882	332,331

BUREAU OF INDIAN AFFAIRS FISCAL YEAR 1988 BUDGET REQUEST

(In thousands of dollars)

	FY''87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommend FY '88	FY '89	FY '90	FY '91	FY '92
Navajo-Hopi Settlement (Subfunction 452)								
Navajo-Hopi Settlement	2,431	2,402	1,971	2,402	2,488	1,244	0	0
Subtotal	2,431	2,402	1,971	2,402	2,488	1,244	0	0
Economic Development/Employment (Subfunction 452)								
Employment Dev.	26,182	0	0	0	0	0	0	0
Business Enterprise Dev.	14,296	10,792	13,146	14,296	15,411	16,068	16,740	17,455
Road Maintenance	23,157	267	767	500	539	562	585	610
Tribe/Agency Operations	0	27,061	25,797	25,157	27,119	28,276	29,458	30,716
Subtotal	63,635	38,120	39,710	39,953	43,069	44,906	46,783	48.781
Natural Resources Development (Subfunction 302)								
Natural Resources, General	2,630	2,568	3,443	3,443	3,711	3,869	4,031	4.203
Agriculture	22,820	23,976	24,210	24,210	26,098	27,212	28,349	29,560

BUREAU OF INDIAN AFFAIRS FISCAL YEAR 1988 BUDGET REQUEST

(In thousands of dollars)

	FY''87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommend FY '88	FY '89	FY '90	FY '91	FY '92
Forestry	33,504	33,864	22,322	33,864	36,505	38,063	39,654	41,347
Water Resources	11,012	3,375	1,734	3,967	4,276	4,459	4,654	4,843
Wildlife & Parks	29,582	27,143	26,506	35,825	38,619	40,267	41,951	43,742
Minerals & Mining	10,259	10,228	8,476	10,214	11,010	11,480	11,960	12,471
Irrigation	7,587	7,618	7,618	7,618	8,212	8,056	8,920	9,300
Subtotal	117,394	108,772	94,309	119,141	128,431	133,406	139,519	145,466
Trust Responsibilities (Subfunction 452)								
Indian Rights Protection	17,815	25,286	23,098	24,748	26,678	27,816	28,979	30,217
Real Estate & Financial Svc.	32,312	33,409	40,242	40,242	43,380	45,232	47,123	49,135
Subtotal	50,127	58,695	63,340	64,990	70,058	73,048	76,102	79,352
Facilities Management (Subfunction 452)								
Faciltíes Management	89,845	87,797	80,907	89,133	96,085	100,185	104,374	108,831
Subtotal	89,845	87,797	80,907	89,133	96,085	100,185	104,374	108,831

BUREAU OF INDIAN AFFAIRS FISCAL YEAR 1988 BUDGET REQUEST

(In thousands of dollars)

	FY''87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommend FY '88	FY '89	FY '90	FY '91	FY '92
General Administration (Subfunction 452)								
General Admin.	81,503	89,375	94,509	94,509	101,880	106,228	110,670	115,395
Subtotal	81,503	89,375	94,509	94,509	101,880	106,228	110,670	115,395
Construction (Subfunction 452)								
Construction	88,601	4,981	57,894	88,663	95,578	99,657	103,824	108,257
Subtotal	88,601	4,981	57,894	88,663	95,578	99,657	103,824	108,257
Road Construction (Subfunction 452)								
Road Const.	0	0	0	0	0	0	0	0
TOTAL	984,783	933,327	968,075	1,084,212	1,136,281	1,171,552	1,207,780	
								1,246,250

INDIAN HEALTH SERVICE *Dollars in Thousands	Baseline Fiscal Year 1987*	Administration Request FY 88*	SCIA Recommendation FY 88*	FY 89*	FY 90*	FY 91*	FY 92*
CLINICAL SERVICES (subfunction 551)							
Hospital & Health Clinic	$479,767	$461,142	$519,278 1/ 534,856 2/	$536,933 553,041	$556,799 573,504	$575,730 591,282	$593,001 609,020
Dental Services	25,849	26,684	27,898 1/ 29,572 2/	28,847 30,577	29,914 31,709	30,841 32,692	31,766 33,672
Mental Health	11,362	11,738	12,174 1/ 12,539 2/	12,588 12,966	13,054 13,445	13,458 13,862	13,862 14,278
Alcoholism	27,705	26,414	29,175 1/ 30,050 2/	30,167 31,072	31,283 32,222	32,253 33,220	34,188 34,217
Maintenance & Repair	9,025	9,025	9,359 1/	9,687 3/	9,977 3/	10,276 3/	10,585 3/
Contract Care	183,713	146,090	193,482 1/ 199,286 2/	200,060 206,062	207,463 213,687	213,894 220,311	220,311 226,920
Subtotal	737,421	681,093	791,366 1/ 815,662 4/	818,282 843,405	848,490 874,544	876,452 901,643	903,713 928,692
PREVENTIVE HEALTH (subfunction 551)							
Sanitation	22,307	23,307	23,676 1/	24,481	25,387	26,174	26,959
Public Health Nursing	12,887	13,659	13,903 1/	14,376	14,908	15,370	15,831
Health Education	3,883	4,008	4,151 1/	4,292	4,451	4,589	4,727
Community Health Rep.	26,000	24,191	27,282 5/	28,210	29,253	30,160	31,065
Hepatitis B	395	395	416 1/	430	446	460	474
Subtotal	65,472	65,560	69,428 1/	71,789	74,445	76,753	79,056
URBAN HEALTH (551)	9,000	8,000	9,524 5/	9,744	10,105	10,418	10,731
INDIAN HEALTH MANPOWER (551)	7,018	4,646	7,244 6/	7,320	7,398	7,476	7,556
TRIBAL MANAGEMENT (551)	2,688	749	2,829 1/	2,925	3,033	3,127	3,221
DIRECT OPERATIONS (551)	36,410	34,337	39,781 1/	41,134	42,655	43,978	45,297
Subtotal	858,009	794,385	920,172 1/ 944,468 4/	951,194 976,317	986,126 1,012,180	1,018,204 1,043,395	1,049,574 1,074,553
INDIAN HEALTH FACILITIES	71,055	2,450	53,152 7/	37,000 8/	37,000	37,000	37,000
Total	929,064	796,835	973,324 1/ 997,620 4/	988,194 1,013,317	1,023,126 1,049,180	1,055,204 1,080,395	1,086,574 1,111,553

1/ = Amount Necessary to Maintain Services at Current Level as estimated by the Department of Health and Human Services

2/ = Represents a 3% increase over current services level, based upon the gross national product implicit price deflator as set forth on pages 2 - 4, Budget of the United States, Fiscal Year 1988

3/ = Represents a 3% increase in out years based upon the gross national product implicit price deflator as set forth on pages 2 - 4, Budget of the United States, Fiscal Year 1988, in order to maintain fiscal year 1987 level of purchasing power

4/ = Represents the 3% increase over current services for direct health care services (1/), and the 3% increase in out years for maintenance & repair to maintain fiscal year 1987 level of purchasing power

5/ = Premised upon Congressional denial of proposed appropriation transfers, the recommended funding level represents the amount necessary to maintain services at the fiscal year 1987 level of program effort as estimated by the Department of Health and Human Services

6/ = Amount necessary to maintain services at the fiscal year 1987 level of program effort, and denial of Administration proposal to allow no new starts in Indian Health Service health professions scholarship program

7/ = Premised upon Congressional denial of proposed appropriation transfer, Congressional denial of proposed rescission request, Funding is recommended for hospital construction at Pine Ridge, South Dakota ($11,201,000); Fort Belknap, Montana ($8,838,000); Fort Defiance, Arizona ($2,204,000); Crow, Montana ($860,000); for outpatient facility construction at Toppenish, Washington ($7,884,000); Parker, Arizona ($400,000); Salisaw, Oklahoma ($231,000); Belcourt, North Dakota ($1,142,000) Puyallup, Washington ($392,000); and for the provision of water and sanitation facilities to 2,500 units of Indian homes ($20,000,000).

8/ = Represents $17,000,000 for the provision of water and sanitation facilities to approximately 2,000 Indian homes in the out years; and $20,000,000 per year for the construction of IHS hospitals and clinics, outpatient care facilities, personnel quarters, and the modernization and repair of existing IHS facilities.

DEPARTMENT OF EDUCATION

TITLE IV, INDIAN EDUCATION ACT

(In thousands of dollars)

	BASELINE FY1987	ADMIN. FY1988 REQUEST	SCIA RECOMM. 1988	1989	1990	1991	1992
Part A	$47,200	$47,200	$47,696	$48,199	$48,708	$49,222	$49,741
Part B	11,568	11,568	11,690	11,813	11,938	12,064	12,191
Part C	3,000	3,000	3,032	3,064	3,096	3,129	3,162
Part D	2,268	2,466*	2,466	2,492	2,518	2,545	2,572
TOTAL	$64,036	$64,234*	$64,884	$65,568	$66,260	$66,960	$67,666

*198,000 increase in Part D reflects fixed cost pay increases and a small increase in travel for audit and technical assistance purposes.

BUREAU OF INDIAN AFFAIRS, DEPARTMENT OF THE INTERIOR

The Bureau of Indian Affairs (BIA) was created in the War Department in 1824 and in 1849 was transferred to the Department of the Interior. The history of the relationship between Indian tribes and the U.S. Government reveals that the mission of the BIA was founded on a government-to-government relationship and the trust responsibility. The Bureau, therefore, as an agent of the U.S. Government, recognizes a fundamental responsibility to American Indian tribes, Alaska Native groups, and the tribal form of government. The Bureau's mission is presently viewed as three-fold: (1) to recognize and preserve the inherent rights of tribal self-government, to strengthen tribal capacity for self-government, and to provide resources for tribal government programs; (2) to protect the rights of Indian people in dealing with other governmental entities and the private sector; and (3) to fulfill and execute the Federal Government's responsibility for trust resources and property.

Programs administered by the Bureau of Indian Affairs are extremely broad in scope. The two largest programs, education and social services, account for approximately 33 percent of the BIA budget request for FY'88. Education alone accounts for nearly 24 percent of the budget. This does not include requests for construction or facility improvement and repair of schools and related structures.

In addition to these programs, the BIA is responsible for management and protection of natural resources of individual Indians and the tribes, such as: forestry, agricultural lands, minerals and mining, fisheries and irrigation and power; maintenance of over 26,000 miles of paved and unpaved roads within the reservations; provision of law enforcement services and support of tribal courts; management of Indian trust funds totalling approximately $1.7 billion; provision of technical assistance and core support to tribes to enable the tribes to contract for and administer Federal programs; and provision of funds either through loans or grants to stimulate economic development on the reservations.

The Synder Act of 1921 (42 Stat. 208; 25 U.S.C. 13) provided substantive authority for appropriations covering the activities of the Bureau of Indian Affairs. The scope and character of the authorizations contained in this Act were broadened by the Indian Reorganization Act of 1934 (48 Stat. 948; 25 U.S.C. 461 et seq.); by the Indian Self-Determination and Education Assistance Act of 1975 (188 Stat. 2203; 25 U.S.C. 450); by amendments to Title XI of the Elementary and Secondary Education Amendments Act of 1978 (P.L. 95-561); by the Indian Child Welfare Act of 1978 (P.L. 95-608); and the by Tribally Controlled Community College Assistance Act of 1978 (P.L. 95-471, as amended).

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

The BIA budget justification discusses new "Federal Funds" for which an appropriation is sought, and expenditures of trust funds of Indians and Indian tribes including income derived therefrom.

In fiscal year 1987 in the "Federal Funds" category, $1,019,835,000 was appropriated. For "Permanent and Trust Funds", (i.e., Indian trust funds and other receipts) the FY'87 authorization for expenditure was $454,206,000 and of this sum $393,310,000 was for Indian trust funds.

The breakout is similar for the FY'88 fiscal year request: $984,988,000 for new appropriations of "Federal Funds" and $459,002,000 for "Permanent and Trust Funds" of which ($398,070,000) is Indian trust money. Consequently, although the total appropriation request approximates $1.5 billion, about 1/3rd of this sum is Indian owned trust money or permanently appropriated miscellaneous receipts requiring no new budget authority. The FY'88 reduction from FY'87 in the BIA budget amounting to approximately $35 million, includes primarily $7,500,000 in timber management, $20 million in construction, $2 million in contract support and $1 million in vocational education.

The budget justification for the Bureau of Indian Affairs in the Department of the Interior is divided into four major categories: (1) Operation of Indian Programs, which includes most of the program activities of the BIA; (2) Construction, which includes maintenance and repair of existing facilities and new construction of schools, irrigation projects and housing; (3) Road Construction, which includes both road maintenance and construction of new roads; and (4) Miscellaneous separate accounts authorizing expenditures for specific tribes or projects not within the Operation of Indian Programs.

Operation of Indian Programs covers eight major subject areas or budget activities as follows: Education; Indian Services; Navajo/Hopi Settlement Program; Economic Development; Natural Resources Development; Trust Responsibilities; Facilities Management; and General Administration. A ninth major category separately displayed is Construction. A summary analysis of the funding sought for each of these activities follows this introduction.

Comparing funding requests for FY'88 with actual FY'87 appropriated levels for activities or subactivities listed is difficult because the budget justification does not display the FY'88 request in the same fashion in which the funds were appropriated in FY'87. In FY'87 each program or activity was funded at a lump sum level, regardless of whether the funds were allocated to the Central or Area Office or were allocated to the Tribe/Agency level. In the FY'88 budget justification, funding requests are made separately for each program at the Central and Area Office level, and at the Tribe/Agency level, appearing in the justification many pages apart from each other. In addition, funds for support of tribal contracts under P.L. 93-638 were included in each program appropriation in FY'87. In FY'88 funding for contract support is being separately requested and no distribution for the FY'88 funds is displayed, thus making it difficult to determine if the funding level for any one program for FY'88 is greater or less than that appropriated in FY'87. The extent to which this affects analysis of any one subactivity is reflected by the fact that contract support funds in the amount of $34,245,000 are taken from 20 separate budget activities, at both the Central and Area Office level and the Tribe/Agency level. Finally, the FY'88 budget justification proposes internal transfers of sixteen activities from the program or activity in which they appeared in the FY'87 Appropriation Act.

Aside from funding levels, in fiscal year 1988 the BIA proposes a number of new initiatives affecting various program activities. Pages four through six of the BIA budget justification for FY'88 set forth "highlights" of the budget request. These highlights set forth in capsule form the new policy initiatives BIA anticipates for FY'88. The following is an analysis of these highlights.

1. Transfer of BIA Schools

BIA proposes a major policy initiative in FY'88 to begin a concerted effort to gradually turn over operation of remaining Federal Indian schools to tribal operation through "638" contracts or, in the event tribes decline to contract for school operations, then to turn over responsiblity for education of Indian children currently served in BIA schools to state public school systems. The Committee opposes this initiative and recommends that restrictions be placed on the expenditure of BIA funds to transfer these schools to the states until there has been a sufficient level of consultation. A more detailed analysis of this proposal by the Committee and the reasons for the Committee's position is contained under the BIA section of this report. (See BIA Ed infra for analysis of the initiative)

2. Establish a "workfare" program

BIA intends to institute a new policy with regard to General Assistance that will require persons receiving such assistance to enter into a job training program or participate in work activities on different programs. Programs targeted for such participation are Housing Improvement, Adult Education, and Employment Assistance programs. BIA notes that unlike the AFDC programs administered by states that limit assistance to families with children and only one parent in the home, BIA General Assistance also serves single adults, childless couples, and families with both parents in the home. While this service population is broader than AFDC, it is not clear what relevance this has to a new "work fare" initiative. In light of the fact that there is no authorizing legislation for this program the Committee recommends that a sufficient period of time be allowed to test this policy through pilot projects initiated with the full cooperation of those Tribes who desire to participate in such pilot projects. Consequently, the Committee has recommended that the employment assistance and other funds be retained at the present funding levels and within the same budget categories as they were in FY'87.

3. Institute a "flat" 15% Administrative fee for Tribal Contracts

In FY'88 BIA proposes to institute a flat administrative fee to cover indirect costs associated with tribal contracting under P.L. 93-638. BIA recognizes that this flat rate will not be adequate to serve smaller tribes and thus proposes to provide additional support for these smaller tribes. The Committee opposes this initiative based on evidence which has been presented to the Committee. This evidence tends to show quite pursuasively that a flat fee is simply not workable to cover the broad range of contracts which would be affected and does not take into account cost differences from one region to another. We are convinced that this would be detrimental to the progress that has been made in implementing self-determination policies.

4. Resource Allocation Study

BIA also intends to initiate a "resources allocation/effectiveness" study to provide an assessment of available resources and a productivity analysis of on-going programs. It appears that the purpose of this study is to provide a means for determining whether Federal funding is currently being allocated equitably among the tribes. The Committee recommends that the BIA expand this study in order to conduct a reliable needs assessment and in order to determine whether the funding resources represented in the various programs which will be studied are adequate to fulfill the Government's trust responsibility.

5. Small Tribes Initiative

BIA proposes to provide tribes additional means to maintain viable governments. This appears to be a "small tribes" initiative. (See 3 above). This initiative will take the form of providing greater financial support to enable such tribes to perform essential governmental functions, and provision of "specialized" technical assistance to tribes threatened by critical conditions of indebtedness and related financial problems. To accomplish this initiative BIA is seeking $6.8 million -- an increase of $4 million over the "small tribes program" funded in FY'87. This initiative is coupled with the proposal to eliminate self-determination grants funded in FY'87 at $7,761,000. The Committee strongly opposes elimination of the Section 104A self-determination grants as part of a small tribes initiative.

6. Trust Funds Contract

BIA seeks $2.2 million for BIA's management of tribal trust funds. This is the initiative of contracting out the collection, accounting and investment of tribal and other Indian trust funds. Based on the input received during the Committee's budget hearing, we expect BIA will stand by its commitment to consult with Tribes prior to implementing this contract by providing them an adequate time to comment on the draft contract before it is executed.

7. Timber Management

The FY'88 budget proposes a reduction of $7.5 million in funding for the timber sales program. BIA proposes to take $5 million of timber sales fees that are presently made available to tribes with timber resources for reforestation or forest improvement, and to use this money to offset BIA's costs in administering the timber sales program. They also propose a decrease of $3.2 million to defer "postponable" forest development work.

While this proposal may not directly conflict with governing law (25 U.S.C. 413) which authorizes the Secretary to collect "reasonable fees", it is a sharp departure from past administrative practice of the Department of Interior under which fees that are collected from timber sales are placed in a special holding account established for such fees for each reservation. These fees (or administrative deductions from the timber sale) are credited to the tribal accounts to the extent of tribal obligations incurred in reforestation or other forest improvement activity. The BIA proposal simply would permit BIA to now use these funds to defer BIA's costs incurred in administering the timber sales and would deny tribes the use of the these funds to undertake activities beneficial to their own forests. Consequently, the Committee strongly opposes this proposal for reasons which are more specifically discussed under this Natural Resources section of the budget report.

8. Consolidated Tribal Govt. Programs - Reprogramming authority

BIA proposes to establish a new, separate budget activity under Tribe/Agency Operations which would lump similar or complementary programs or subactivities where tribes could propose program aggregations such as the "currently used" Consolidated Tribal Government Programs (CTGP). (See 29-30). BIA sees potential savings in overhead or indirect costs through reduction in the number of program directors at the tribal level. The initiative may also relate to BIA's request for an increase in their authority to reprogram funds without first seeking Congressional approval. (See page 29).

9. Two new initiatives that have an impact on ADP services are development of the Geographic Information System (GIS) and development of the Indian Integrated Resources Information Program (IIRIP). (See page 142).

10. The highlights discuss funding for various construction projects. The most important part here is the discussion of proposed recissions. The proposed recissions of $22.8 million all come from construction funds appropriated in FY'87 as follows:

> $7.5 million to construct Juvenile Detention Centers appropriated under the Omnibus Drug Supplemental Appropriations Act of 1987.

$6.3 million for Housing Improvement, thus reducing the FY'87 funding level to $16.3 million. This reduction was proposed by BIA in its FY'87 budget request on the premise that no funds would be used to build any new housing.

$9 million for irrigation construction for Navajo Indian Irrigation Project, the Gila River Farms/Sacaton Ranch Irrigation Project, and the Fort McDowell Irrigation Rehabilitation Project.

The Committee opposes these proposed recissions.

11. Legislative language proposed by the BIA would delete language for the FY'87 Appropriations Act relating to the proposed closure and disposition of the Phoenix Indian School. The Committee opposes this proposal and has recommended continuing funding under our discussion of the BIA Education functions.

12. Tribe/Agency Operations BIA proposes a new budget format which would separate funding from each subactivity which had been earmarked for distribution to tribes, Agencies and Area Office field activities, and would consolidate those funds into one Tribe/Agency Operations subactivity under Indian Services, Economic Development, Natural Resources, Trust Responsibilities and General Administration. Although the BIA has given various reasons for this format, including administrative flexibility, the Committee is unable to discern any clear purpose for the format. The Committee is unable to consistently track the shift of funds from the FY'87 format to the proposed FY'88 format. Therefore, the Committee does not support the Tribe/Agency Operations budget. Although the Committee does not support the Tribe/Agency format, the BIA budget is displayed in this report using that format to facilitate comparisons between the BIA budget justification and Committee recommendations.

ACTIVITY: Education

(In thousands of dollars)

Subactivity	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
School Operations	190,871	193,851	189,811	199,837
Johnson O'Malley	22,750	20,351	20,351	29,655
Continuing Ed.	58,559	26,911	25,869	65,683
TOTAL	272,180	241,113	236,031	295,175

BUREAU OF INDIAN AFFAIRS: ACTIVITY: Education

Of all Indian students within the BIA's service population, 82 percent attend public schools, 7 percent attend private and parochial schools, and the remaining 11 percent are educated in schools operated either by the BIA or by tribes under 638 contracts with the BIA. There are 103 BIA schools, 64 contract schools and 14 peripheral dorms which serve Indian children who attend public schools. The Indian School Equalization Program pays per student costs on a formula basis to all BIA and contract schools. Thus, ISEP uses the bulk of the BIA education funds. The remainder of the education budget for BIA funds the Johnson O'Malley program, adult education, higher education and scholarships.

Of the 39,990 students in BIA-funded schools operating in 23 states, about 54 percent are in the 57 BIA and contract boarding schools. According to the Bureau, they are in residence either because their families do not live within a 1 and 1/2 mile walk from a public or BIA school bus route, or because of special social or academic factors, including poverty, family problems, or difficulties encountered in public schools.

In its FY'89 budget request, the BIA has proposed to maintain level funding for the 103 schools it now operates (including 46 boarding schools) but to contract their operation to either tribes or public schools. The notion of contracting the operation of BIA schools to public schools has been poorly received in Indian country, particularly since it appears that the BIA is trying to coerce tribes to operate these shcools by threatening to contract instead with local school districts if the tribes do not respond. P.L. 93-638 provides the contracting mechanism for tribes to operate education programs currently operated by the BIA. There is no provision for BIA contracts with local education agencies (LEAs). It is not clear to the Committee how the BIA intends to square the intent of the 638 law with the notion of contracting with public schools.

Testimony received by the Committee from tribes, Indian education leaders and Indian parents universally opposed the BIA's education initiative. The reasons vary, but first and foremost is the undisputed fact that the decision was made without any consultation with tribal leaders and Indian educators. Since the decision was already made, the only input requested by the BIA from the Indian community was on the issue of how to implement the initiative. This is not the tribes' understanding of how consultation works, nor is it that of the Committee's. The Committee, therefore, strongly opposes any effort on the part of BIA to force tribes to contract to operate schools or to contract with public schools for the operation of BIA schools.

The ostensible reason for the initiative is that the BIA is "institutionally incapable" of providing quality education to Indian children. The statement ignores the fact that many Indian children have received, and, in fact, are receiving an excellent education in BIA schools. There is simply no data to support the assumption that quality education is lacking or impossible to attain in Bureau schools. If there is, it has not been presented to the Committee. The members of the Committee believe that one of the sovereign rights of any tribal government is the right to elect not assume operation of a BIA school. It is the Committee's position that should some tribes elect this option, they should not be forced to have their children educated in public schools. Unless and until there is data to support the assertion that all Indian children are better off in either public schools or in schools that are run by tribes, then the Committee is, and will remain, strongly opposed to the initiative. The Committee is available to work with the BIA and with tribal leaders and educators to find ways to improve education for all Indian students, whether they attend BIA, contract, public or private schools. The Committee strongly believes that the education of Indian children is an integral part of the federal government's trust responsibility to Indian tribes.

SUBACTIVITY: School Operations

(In thousands of dollars)

Program Elements	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
A. Indian School Equal Program:				
Indian School Equal. Formula	$153,857	$163,174	$162,309	$164,889
Indian School Prog. Adjustments	1,116	1,116	1,116	1,128
B. Education Standards	300	300	300	303
C. Institutionalized Handicapped	1,428	1,428	1,428	1,551
D. School Board Expenses	723	723	723	731
Training Fund	512	512	512	517
E. Student Transportation	11,639	11,992	11,992	12,106
F. Solo Parent Program	--	108	108	-- a/
G. Technical Support Agency & Area Offices	8,109	8,499	8,499	8,499
H. School Operations Contract Support	7,188	--	--	7,264b/
Education MIS	599	599	424	424
I. Substance Abuse/Alcohol Education				
Curriculum	3,000	3,000	--	--
School Counselors	2,400	2,400	2,400	2,425
TOTAL	$190,871	$193,851	$189,811	$199,837

a/ The Committee believes the Solo Parent Program is a social services program and has recommended funding under that activity.

b/ The Committee recommends that distributed contract support funds continue to be distributed to separate program elements and therefore rejects the proposal to consolidate contract support funds into one line item in Self-Determination Services.

A. Indian School Equalization Program.

Because the Committee disagrees that the fate of the Phoenix Indian School has been decided, the Committee recommends $164,889,000 for the Indian School Equalization Formula (ISEF) for FY'88. This figure is $1,715,000 more than the Administration's request and was arrived at by restoring funding to the FY'88 base and then adding the Congressional Budget Office (CBO) education inflation factor. The Committee again recommends forward funding for ISEP.

The program adjustments account has been increased by the CBO inflator but the Committee notes with interest and approval the ongoing activity with respect to gifted and talented programs for Indian children in BIA funded schools. The Committee looks forward to working with the Administration to develop a stable and permanent program funding base for this purpose in future years.

C. Institutionalized Handicapped.

The Committee notes the budget justification estimate that 15 Indian children aged 5 to 21 will be placed in public and private institutions for the handicapped in FY'88, in addition to the 200 now served. The Committee therefore recommends a 7.5 percent increase in program funding, as well as an increase for inflation.

H. School Operations Contract Support.

The Committee recommends restoration of the contract support to this program account and adds an inflation amount.

SUBACTIVITY: Johnson-O'Malley Educational Assistance

(In thousands of dollars)

Program Elements	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
JOM Educational Assistance	$20,250	$20,351	$20,351	$26,439
JOM Contract Support	2,500	--	--	3,216 a/
TOTAL	$22,750	$20,351	$20,351	$29,655

a/ The Committee recommends that distributed contract support funds continue to be distributed to separate program elements and therefore rejects the proposal to consolidate contract support funds into one line item in Self-Determination Services.

The Committee recommends an increase of $6,905,000 for Johnson-O'Malley funding for FY '88 over the FY '87 appropriations level. During the FY '86 appropriations process, Congress was given inaccurate information by the BIA concerning a projected "carry-over" of dollars to be available to the JOM program in FY '86. This carry-over was, in fact, mythical, but JOM nevertheless suffered a major funding decrease of $5,813,000 in FY '86. This funding was not restored in the FY '87 appropriations cycle despite the Committee's recommendation to the contrary. The Committee is again recommending for FY '88 that JOM be restored to the FY '85 level with a small increase for inflation.

SUBACTIVITY: Continuing Education

(In thousands of dollars)

Program Elements	FY'87 Enacted to date	FY'88 Base	FY'88 Estimate	SSCIA Recommendation
A. Post-Secondary Schools	9,309	13,508	12,251	13,649
B. Special Higher Ed. Scholarships	1,750	1,750	1,500	1,768
C. Tribally Controlled Community Colleges				
Operational Grants	11,653	11,653	11,618	13,520
Endowment	---	---	500	500
Snyder Act	1,183	---	---	1,217a/
D. Higher Education Scholarships	31,168	---	---	31,496a/
E. Adult Education	3,496	---	---	3,533a/
TOTALS	58,559	26,911	25,869	65,683

---

a/ The Committee rejects the proposal to transfer these education programs to Indian Services, Tribe/Agency Operations. Though these are banded programs, they properly belong in the education budget function.

A. Post-Secondary Schools.

The Committee rejects the proposal to decrease funding for Haskell by $689,000, for the Institute of American Indian Arts by $204,000 and for the Southwest Indian Polytechnic Institute by $364,000. The Committee also rejects the Administration's proposal to require students at these three institutions to pay tuition. The Committee recommends funding for FY 1988 at the base established by the BIA plus an inflation factor. The BIA base shows a $4,201,000 increase over the actual FY 1987 appropriation. The increase represents the transfer of operation and maintenace (O&M) funds for the three schools from the facilities management account. The Committee has no objection to this transfer.

B. Special Higher Education Scholarships.

The Committee rejects the request to decrease funding for special higher education scholarships by $250,000. The Committee notes that more participants may be expected in the program because of the federal court ruling in Zarr v. Barlow, which extends eligibility to all students who are members of federally recognized tribes, regardless of their blood degree. The Committee opposes the reduction in average student grants from $7,000 to $6,000 because this proposal does not reflect the reality of increased college costs particularly at the professional schools of law, medicine, and engineering, to which the scholarships are targeted. The Committee recommends funding at the FY 1987 level with an inflation factor.

C. Tribally Controlled Community College

The Bureau has requested $12,118 for FY'88, distributed as follows:

Title I grants:	$7,689,000
Title II (NCC):	3,813,000
Technical Asst.:	116,000
Endowments	500,000

The Committee recommends funding of Title I grants at $9 million for an increase of $1,311,000 over the Administration proposal to achieve a $3,000 per FTE funding level and also recommends an increase for Navajo Community College (Title II) of $450,000. In addition, the Committee rejects the proposal to transfer to Indian Services, Tribe/Agency Operations, the Snyder Act funds ($1,217,000) used by the colleges from tribal contributions and recommends this money be restored. The added inflation factor brings the Committee's total funding recommendation for this program element to $15,237,000 or $2,401,000 over the FY 1987 appropriation level. Tribal colleges have continued to lose ground over the past few years with respect to per pupil funding levels; they have gone from a high of $3,100 per FTE (full-time equivalent) in FY 1981 to a low of $2,317 in FY 1986, with a slight increase in FY 1987 to $2,575 (due mostly to the closing of Ganado Community College). Estimates received by the Committee show that expected enrollment increases in FY'88 will reduce the FTE funding level to as low as $1,943 if the Administration's proposal is accepted.

D. Higher Education Scholarships

The Committee rejects the proposal to display this program under the Indian Services, Tribe/Agency Operations subactivity. It is an education program and clearly belongs in the 501 subfunction account. The Committee recommends last year's appropriated funding level with an inflation factor.

E. Adult Education.

As with higher education scholarships, the Committee rejects inclusion of this program in the Tribe/Agency Operations subactivity of the Indian Services activity. The Committee again recommends last year's appropriated funding level with an inflation factor.

ACTIVITY: INDIAN SERVICES

(In thousands of dollars)

Program	FY'87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommend FY '88	FY '89	FY '90	FY '91	FY '92
Tribal Government Services	32,429	6,770	5,692	6,692	6,926	7,181	7,421	7,662
Social Services	111,601	89,969	90,516	102,775	106,372	110,278	113,977	117,677
Law Enforcement	53,413	7,438	3,177	14,277	14,777	15,319	15,833	16,347
Self-Determination Services	21,624	45,618	50,682	63,095	65,303	67,701	69,972	72,244
Employment Assistance	0	2,225	2,436	2,634	2,726	2,826	2,921	3,016
Tribe/Agency Operations	0	150,052	146,901	123,753	128,084	132,787	137,242	141,697
Navajo/Hopi Settlement	2,431	0	0	0	0	0	0	0
TOTAL	221,498	302,072	299,404	313,226	324,188	336,092	347,366	358,643

(FY 1988 REPORT TO BUDGET COMMITTEE - BIA INDIAN SERVICES)

Tribal Government Services

(In thousands of dollars)

	FY 1987 ENACTED	BASELINE FY 1988	ADMIN. FY 1988 REQUEST	SSCIA FY 1988 RECOMMEND
Aid to Tribal Government	20,233	4,379	3,301	3,301
Tribal Courts	11,196	1,391	2,391	2,391
Substance Abuse/Alcohol Judicial Training	1,000	-0-	-0-	1,000
TOTAL	32,429	5,770	5,692	6,692

The Committee recommends that the $1,000,000 which was appropriated in FY 1987 for this training be included in the FY 1988 budget for Substance Abuse/Alcohol Judicial Training, pursuant to the Indian Alcohol and Substance Abuse Prevention and Treatment Act of 1986 (PL 99-570). The Committee strongly believes that the federal government's commitment to address serious problems of drug abuse among Indian youth should not be limited to a one-time effort.

Social Services

(In thousands of dollars)

	FY 1987 ENACTED	BASELINE FY 1988	ADMIN. FY 1988 REQUEST	SSCIA FY 1988 RECOMMEND
All Other Social Services	23,146	1,622	2,169	2,169
Welfare Assistance Grants	88,455	88,347	88,347	95,606
Emergency Shelter Staffing	-0-	-0-	-0-	-0-
TOTAL	111,601	89,969	90,516	97,775

The Committee recommendation for Welfare Assistance Grants includes $70,496,000 for General Assistance; $15,478,000 for Child Welfare Assistance, which includes $119,000 for the Solo Parent Program; and $1,422,000 for miscellaneous assistance, which includes burial assistance.

The Committee supports the transfer of the Employment Development subactivity from Economic Development to Indian Services.

The Committee is aware of the BIA's proposed "Economic Self-Assistance Initiative." The Committee supports increased coordination between social services and employment development activities at all levels of the BIA: (Central Office, Area Office, and Agency) and with Tribes. Present BIA general assistance guidelines are overly restrictive in terms of encouraging recipients to acquire skills, additional, education and other work experience. For example, current BIA regulations prohibit general assistance recipients form attending tribally controlled community colleges without losing eligibility for assistance.

The Committee supports the intent of the "Economic Self-Assistance" Initiative, which we understand would only be implemented with the agreement of each tribe involved. We note that both the Congress and Indian tribes strongly desire increased job opportunitities and economic self-reliance. However, in the absence of specific authorizing legislation for this significant change, the Committee strongly recommends that the BIA pursue consultation with Tribal governments and the Committee prior to implementing the initiative. Until this is accomplished, the Committee would recommend that limited number of pilot projects be established to test the concept.

The Committee does not agree with the proposal to categorize Burial Assistance within General Assistance Funding. The Committee does not agree with the proposal to transfer the Solo Parent Program to the Education activity, since the Solo Parent Program is primarily a social service for unwed and single mothers.

General Assistance (GA) funding performs the important and necessary function of enabling Indian families to live on Indian lands. For the past six years, (except for FY 1987), the Administration has requested less than the amount needed for GA, in order to protect the base funding levels for other programs, and has relied on the Congress to restore funding to the level of need. The Committee does not agree with the BIA assumption of a reducton of 1,710 cases per month in FY 1988 for GA. The Committee recommends that GA, Child Welfare Assistance, and Miscellaneous Assistance including burial assistance, be accounted for separately within the Welfare Assistance Grants program element, and that General Assistance be funded at the actual level of need, which the Committee estimates to be at least $70,496,000 which is the amount requested by the BIA for FY 1987.

The Committee maintains a strong commitment to the goals of the Indian Child Welfare Act of protecting and strengthening the integrity of Indian families. The Committee notes that the BIA does not agree with the FY 1987 Continuing Resolution conference report language concerning $1.2 million for FY 1987 funds identified to cover fourth quarter funding of FY 1986 grantees. The whole matter of BIA funding of ICWA grants needs to be closely examined by the Committee. The Committee notes that the BIA social services program took its entire 4.3% Gramm-Rudman reduction of $4.8 million in FY 1986 out of ICWA grants, and that while funds were restored for welfare assistance ggrants, and for central and area office operations, funds were not restored for tribe/agency operations in some BIA Areas. Therefore, the Committee recommends that funding for ICWA grants be increased for FY 1988 by $1,200,000 to a level of $8,210,000 in order to achieve a "restoration" of the $1.2 million intended by Congress in the FY 1987 Continuing Resolution.

Law Enforcment

(In thousands of dollars)

	FY 1987 ENACTED	BASELINE FY 1988	ADMIN. FY 1988 REQUEST	SSCIA FY 1988 RECOMMEND
Law Enforcement - Regular	49,813	3,838	3,177	3,177
Substance/Abuse/Alcohol Training	3,600	3,600	-0-	3,600
Juvenile Detention Center Staffing	-0-	-0-	-0-	-0-
TOTAL	53,413	7,438	3,177	6,777

The Committee recommmends continued funding in FY 1988 for Indian Alcohol and Substance Aubse Prevention and Treatment Act programs, including law enforcement training (+$3,000,000), development of a model juvenile code (+$100,000) and assistance to the Papago Tribe (+$500,000).

Self-Determination Services

(In thousands of dollars)

	FY 1987 ENACTED	BASELINE FY 1988	ADMIN. FY 1988 REQUEST	SSCIA FY 1988 RECOMMEND
Training & Technical Assistance	4,274	1,784	1,095	1,095
Contract Support - Undistributed	6,768	6,768	42,787	9,200
Contract Support - Distributed	-0- *	34,245	-0-	46,000
Small Tribes Initiative	2,821	2,821	6,800	6,800
Self-Determination Grants	7,761	-0-	-0-	-0-
TOTAL	21,624	45,618	50,682	63,095

---

*$34,245 was distributed to various subsactivities in OPI during FY 1987. The Committee recommends maintaining the distributed CSFs within separate subactivities.

The Committee strongly disagrees with the proposal to consolidate Contract Support Funds into one line-item, and to provide tribes with a flat administrative fee instead of reimbursing tribes for actual indirect costs. The Committee strongly disagrees with the BIA assertion that the flat administrative fee fulfills the purposes of the Indian Self-Determination Act. The Committee recommends $46,000,000 for Contract Support Funds that are distributed to separate subactivities, which is an increase of $9,981,000 for distributed Contract Support Funds. This recommendation is based on extensive testimony presented to the Committee to the effect that the average tribal contract support cost is approximately 25% as compared to the BIA's 15% formula. The Committee also recommends $9,200,000 for undistributed Contract Support Funds for new contracts, which is an increase of $2,432,000. This increase is based upon an estimate of average indirect costs for post-1985 new contracts. It is the intent of the Committee that the BIA should reimburse Indian tribal governments and Indian organizations at 100% of indirect costs for PL 93-638 contracts with the BIA. The Contract Support Funds which have been distributed to the subactivities have been included in the IPS, which provides a basis for matching the level of needed Contract Support Funds to the level of anticipated contracted funding.

The Committee notes that the Department of Interior Office of Inspector General conducted a study of tribal indirect cost trends, and released a report in July, 1983. According to the report, tribal indirect costs increased during the five year period between 1979 and 1983, due to the following reasons: (1) audit costs rose 230% due to requirements of OMB Circular A-120, Attachment P; (2) electronic data processing costs rose 225% as a result of increased use of computers for accounting and program reports; (3) tribal council costs rose 86% as a result of more frequent meetings on contract and administrative matters; and (4) tribal administrative salary costs rose 81% as the CETA PSE program was eliminated. In recent years, the indirect cost pool for many tribal governments appears to have stabilized. However, budget reductions in the direct cost base have caused corresponding increases in indirect cost rates.

The Committee takes exception to the BIA assertion made in prior year budget justifications, that the use of contract support funds to meet tribal indirect costs for PL 93-638 contracts "created an open-ended uncontrollable, entitlement funds, the size and distribution of which depended solely on the initiative and ingenuity of each tribe in expanding its administrative organization and shifting the maximum amount of expenses to the indirect, rather than direct, category." The BIA has never offered evidence to support this assertion. Howver, this unfounded indictment of tribal governments appears to be the basis for proposals by the BIA regarding contract support funds. This assertion has also served to obscure the fact that, for the past six years, the Administration has requested less than the amounts actually needed for Contract Support Funds. This has been the primary reason for the annual shortfalls in Contract Support Funds.

The Committee supports the Small Tribes Specialized Technical Assistance initiative, and recommends that the BIA consider utilizing the expertise that exists among Indian tribal governments as a technical assistance resource. It is the intent of the Committee that self-determination grants and small tribes initiative funds be equitably available in Alaska.

Employment Development

(In thousands of dollars)

	FY 1987 ENACTED	BASELINE FY 1988	ADMIN. FY 1988 REQUEST	SSCIA FY 1988 RECOMMEND
Direct Employment	4,331	334	554	335
Adult Vocational Training	21,851	1,861	1,882	2,299
TOTAL	26,182	2,195	2,436	2,634

The Committee supports the transfer of the Employment Development subactivity from Economic Development to Indian Services. While the Committee opposes the "Economic Self-Assistance" initiative, the Committee does support increased coordination between social services and employment development activities at the central office and area office levels. The Committee points out that tribes that operate social services and employment development programs already coordinate not only these resources, but other related programs including JTPA USDE Vocational Training programs, and adult education and literacy programs.

The Committee recommends that the direct employment program operated by the United Sioux Tribes be funded at a level of $100,000 in FY 1988. The Committee further recommends that the adult vocational training program operated by the United Tribes Educational Technical Center be funded at a level of $1,650,000 in FY 1988.

Indian Services - Tribe/Agency Operations

(In thousands of dollars)

	FY 1987 ENACTED	BASELINE FY 1988	ADMIN. FY 1988 REQUEST	SSCIA FY 1988 RECOMMEND
Scholarships	-0-	28,003	28,770	-0-
TCCC's Supplement	-0-	1,205	918	-0-
Adult Education	-0-	3,431	3,146	-0-
Adult Vocational Training	-0-	18,395	18,602	18,602
Other Employment Assistance - DE	-0-	3,593	2,935	3,593
Community Services-General	-0-	897	2,003	2,003
Community Fire Protection	-0-	947	890	947
Tribal Courts	-0-	8,765	9,061	9,061
Other Aid to Tribal Governments	-0-	12,554	15,028	15,028
Social Services	-0-	17,518	17,634	18,184
Law Enforcement	-0-	44,351	44,799	45,459
Self-Determination Grants	-0-	7,761	-0-	7,761
Self-Determination Training & TA	-0-	2,632	3,115	3,115
TOTAL	-0-	150,052	146,901	123,753

Although the Committee does not support the Tribe/Agency Operations budget concept, the budget is displayed in this report using the Tribe/Agency format to facilitate comparisons between the BIA budget justification and this report. The Tribe/Agency Operations concept was presented to tribal governments during the "Indian Priority System" process. Tribes rejected the concept at that point, but the concept has been nonetheless presented in the proposed budget. Indian tribal governments and organizations continue to strongly oppose the Tribe/Agency concept given the unclear purposes of the concept, and the difficulty in tracking funds from the FY 1987 budget to the FY 1988 budget.

The Committee recommends increases above the Administration's requests of $658,000 for Other Employment Assistance, $57,000 for Community Fire Protection, $550,000 for Tribal Social Services, $1,109,000 for Tribal Law Enforcement, and $7,761,000 for Self-Determination grants.

The Committee recommends an increase of $550,000 for the purpose of restoring funding levels for tribal social services programs to a level commensurate with the need for family and child welfare casework services. Funding levels for tribal social services programs have eroded during the past several years, resulting in backlogs of unmet family and child welfare casework services on Indian lands. Tribes have been forced to compete with the BIA for ADP costs and for contract monitoring costs in some Areas, often with the improper result that tribal funds have been cut. In FY 1986, although the BIA took its entire $4.8 million Gramm-Rudman cut for social services out of Indian Child Welfare Act grants and restore central and area office operations, funds were not restored for tribe/agency operations, particularly in the Phoenix Area. Tribes that have been successful in reducing general assistance caseloads have had their funding reduced because of the BIA Manual staffing formula that rewards high GA caseloads and penalizes tribes that place emphasis on casework services to help families remain intact and to become financial self-reliant.

The Committee also recommends an increase of $1,109,000 for tribal PL 93-638 law enforcement contracts. Many tribal law enforcement contracts are underfunded, in spite of Congressional appropriations increases for law enforcement in recent years. In many cases, the salary for a tribal police captain is much less than that of surrounding jurisdictions, and is often less than the starting salary for a BIA police officer. Funding inequities make it difficult for tribal governments to perform their law enforcement responsibilities, specially with rising costs of vehicle operations and liability insurance.

It is the Committee's understanding that the increase of $448,000 over the FY 1988 base for Law Enforcement-Tribe/Agency Operations is for the purpose of including the funds added by Congress for tribal government contracts in Western Nevada and for the Mississippi Choctaw Tribe in the ongoing IPS base levels.

The Committee supports strengthening the small tribes management capabilities, but not as a trade-off for self-determination grants. Over the past ten years, self-determination grants have enable Indian tribal governments to develop the capabilities for tribal planning, financial management and personnel management which are necessary for successful delivery of services to Indian reservation residents and prudent management of resources.

NAVAJO-HOPI SETTLEMENT PROGRAM

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Navajo-Hopi Settlement Prog.	2,431	2,402	1,971	2,402
	2,431	2,402	1,971	2,402

The Administration proposes to make the Navajo-Hopi Settlement Program a separate activity rather than a subactivity under Indian Services. The program's objective is to protect the rights of relocatees, to reduce livestock to carrying capacity, and to restore the management and grazing capacity of rangelands lying within the Navajo-Hopi joint use area. The administration proposes a $431,000 reduction from its FY 1988 base. The administration believes the reduction will be possible assuming that the majority of Navajo families have been relocated to the new lands. The Committee believes the Bureau's reasons for the reduction may not be achieved and, therefore, restores funding to the FY 1988 base.

ECONOMIC DEVELOPMENT AND EMPLOYMENT PROGRAMS

(In thousands of dollars)

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Business Enterprise Development	14,296	10,792	13,146	14,296
Road Maintenance	23,157	267	767	500
Tribe/Agency Operations	---	27,061	25,797	25,157
	63,635	38,120	39,710	39,953

The Committee supports the continuation of the Business Enterprise Development Center Grant Program at the requested level of $7.5 million based on its proven track record for attacking private capital to reservation economies. However, the Committee questions why the Indian revolving loan program which does not involve any new funds for FY '88 should have a ceiling of $13 million imposed.

Similarly, a ceiling of $35.5 million would be imposed under the Administration's recommendations on the Loan Guarantee Program. In light of the great need for development and expansion of the private sector economy on Indian reservations, it is more logical to allow these credit programs to operate at a level that reflects actual demand for financing of business enterprises. Demand is simply measured by the number of fund requests for revolving loans and loan guarantees. Pursuant to the Indian Finance Act, the loan guarantee program is authorized up to $200,000,000 and if meritorious requests are received up to this limit in FY '88, this would give Congress an opportunity to consider increasing this statutory ceiling rather than have the amount of loan guarantees limited by an artificial ceiling imposed in the appropriations process.

In a like manner, the revolving loan program should actually "revolve" by allowing the BIA Credit Office to make loans as funds become available through a payback of existing loans.

The BIA has requested additional funds of approximately $2.5 million to provide an extension of the Business Opportunity Centers, a program initiative initiated in FY '87. The Committee recommends retaining these funds in the Business Enterprise Development category until the existing Business Opportunity Centers have established a record to determine whether they merit the three-fold expansion planned by the Administration.

NATURAL RESOURCES DEVELOPMENT

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Natural Resources, General	2,630	2,568	3,443	3,443
Agriculture	22,820	23,976	24,210	24,210
Forestry	33,504*	33,864	22,322	33,864
Water Resources	11,012	3,375	1,734	3,967
Wildlife & Parks	29,582	27,143	26,506	35,825
Minerals & Mining	10,259	10,228	8,476	10,214
Irrigation	7,587	7,618	7,618	7,618
	117,394*	108,772	94,309	119,141

* Does not include Fiscal Year 1987 supplemental appropriations for fire suppression.

This budget activity is composed of seven subactivities or program elements: Natural Resources, General; Agriculture; Forestry; Water Resources; Wildlife and Parks; Minerals and Mining; and Irrigation. A separate request for a portion of funding for each of these programs is made for Tribe/Agency Operations under this activity.

NATURAL RESOURCES, GENERAL

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Natural Resources, General	2,630	2,568	3,443	3,443
Tribe/Agency Operations	---	987	1,555	1,555
	2,630	2,568	3,443	3,443

The major function of this program element is to provide direction and support in the planning and management of renewable resources of Indians. A major initiative begun in April of 1986 is the development of a major data base on Indian resources known as the "Indian Integrated Resources Information Program (IIRIP). A companion part of this information base is a "Geograpghic Information System" (GIS). Resources involved in these systems are water, wildlife, fish, agriculture, forestry, grazing and minerals.

The Committee accepts the Administration's estimates for this program.

AGRICULTURE

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Agriculture	22,820	2,897	3,506	3,506
Agr. Extension Service	---	605	448	448
Tribe/Agency Operations	---	20,474	20,256	20,256
	22,820	23,976	24,210	24,210

Activities under this program involve planning, management, conservation, development and utilization of Indian soil, water and rangeland resources. Over 46 million acres of Indian land are used primarily for farming and grazing. This is approximately 4/5ths of the Indian trust lands. In its budget justification the problems with Indians and agricultural economics is discussed in brief form, noting that many Indian farmers or ranchers have become over-extended and unable ot obtain operating capital. It is also noted that in the 1980's BIA set farming and grazing rental rates based on off-reservation "arms length appraisals" and this effort to collect a fair rental rate has compounded the problem of undercapitalization.

In FY '87 there was a special appropriation of $ 5.7 million for emergency hay relief. In connection with this appropriation, the BIA was directed to conduct a study of the effectiveness of Federal and tribal governments in agriculture and ranching throughout the United States. This report was filed with the

Congress in September of 1986. Among other recommendations, this Report recommends the establishment of a temporary Commission to review in greater depth Federal and tribal policy composed of both Federal and tribal officials to make appropriate recommendations. The Committee supports this recommendation and recommends that adequate funding be provided to implement the Commission.

The Committee accepts the Administration's estimates for this program.

FORESTRY

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Forestry	33,504*	10,060	6,631	10,060
Tribe/Agency Operations	---	23,804	15,691	23,804
	33,504*	33,864	22,322	33,864

* Does not include Fiscal Year 1987 supplemental appropriations for fire suppression.

The Committee opposes the proposed reduction of $ 3,150,000 in the BIA Forest Development Program. The proposed reduction would delay elimination of the reforestation backlog from the present target of 1995 until several years into the next century. The proposed reduction would reduce substantially field capability (both contracting and direct employment) for thinning and reforestation. The Forest Development program is intended to alleviate reforestation needs caused by past mismanagement of Indian forest lands. The Committee strongly believes that this program deserves the highest priority, and that every effort should be made to eliminate the reforestation backlog at the earliest possible date.

Another Administration initiative opposed by this Committee is the proposal to reduce the timber sales program by $ 2,538,000. The proposed decrease reflects a planned reduction in the number of timber sales offerings, resulting from the elimination of "below-cost" timber sales. Nevertheless, the Bureau of Indian Affairs plans to offer new timber sales of approximately 700 million board feet, the same as those offered during the two previous fiscal years.

The Committee believes this proposal to be ill-advised and ill-considered. The Administration's Budget request fails to provide any indication of how the Bureau of Indian Affairs would determine what sales are made "below cost", a question which has plagued the United States Forest Service for a number of years. Furthermore, the BIA has failed to suggest how it would allocate the costs of the timber sales program to individual timber sales. Until the BIA provides answers to these questions, the Committee has no other choice than to oppose this initiative, and to support continuation of the forestry program at levels sufficient to offer new timber sales at previous volumes.

The Committee objects in the strongest possible terms to the Administration proposal to reduce appropriations for the timber sales program by $ 5,000,000, and to offest the reduction by proposed administrative fee collections associated with the timber sales program. Under current procedures, timber sale deductions are placed in a special deposit holding account, established exclusively for these fees, for each reservation. These administrative deductions are credited to the tribal accounts to the extent of tribal obligations for approved forestry related activities. Under the present proposal, administrative deductions collected from

Indian timber sales would be made available to the BIA to defray costs associated with the timber sales program.

Finally, the Committee is dismayed to learn that, despite protestations to the contrary, the Assistant Secretary for Indian Affairs has directed the BIA Division of Forestry to prepare a request for proposal (RFP) to contract BIA forestry functions to a private entity. This so-called "forestry privatization initiative" is nothing less than an attempt by the Assistant Secretary to abdicate the trust responsibilities of the Federal government over Indian forest lands. At the appropriate time, the Committee intends to request that the Appropriations Committee include in the FY 1988 Appropriations bill language to prohibit the expenditure of federal funds on this initiative.

WATER RESOURCES

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Water Resources	11,012	1,967	467	1,967
Tribe/Agency Operations	---	1,408	1,267	2,000
	11,012	3,375	1,734	3,967

The Administration Request assumes the transfer of $ 7,500,000 to Water Rights Negotiation/Litigation for activities undertaken on behalf of tribes whose water rights are at risk. The Committee does not oppose this proposed transfer. The Committee does object, however, to the proposed reduction for tribe/agency and field operations for water planning, management, and development activites on behalf of tribes whose water rights are not at risk.

The Committee's recommendation also includes an increase of $ 600,000 to continue ongoing general investigations and advance planning on irrigation projects which benefit the Rosebud Sioux and Yankton Sioux tribes, the Confederated Tribes of the Umatilla Indian Reservation, and the Yakima Indian Nation. This additional funding will offset reductions proposed by the Bureau of Reclamation for these projects.

WILDLIFE AND PARKS

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Wildlife & Parks	29,582	10,114	10,301	10,114
Tribe/Agency Operations	---	17,029	16,205	25,711
	29,582	27,143	26,506	35,825

The Committee rejects the proposed reduction in funding of $ 380,000 for the Columbia River Intertribal Fish Commission and the Northwest Indian Fish Commission to implement the U.S. - Canada Salmon Interception Treaty. The rationale for this proposed reduction is that "additional funding will be made available to the states and Federal agencies for treaty implementation work through the budgets of the Departments of State, Commerce, and Interior."

This statement from the President's Budget Request simply is not true. The Administration has requested $ 900,000 less for the Departments of Commerce and Interior than the amount recommended by the United States Section of the Pacific Salmon Treaty Commission. Furthermore, of the $ 6,000,000 requested by the Administration for the Department of Commerce for treaty implementation, the Administration assumes $ 4,000,000 will be collected as a result of legislation to authorize the collection of a saltwater recreation fishing license fee -- a dubious proposition at best. The Committee is greatly concerned about this apparent lack of commitment by this

Administration to fulfill its obligations under the U.S. - Canada Salmon Interception Treaty.

The Committee is concerned that adequate funding be provided to operate and maintain, and rehabilitate where necessary, fish production facilities funded by Indian tribes and the BIA. Consequently, the Committee recommendation includes an additional $2,242,000 for operations and maintenance and $6,440,000 for rehabilitation work at 46 fish hatcheries throughout the United States. The Committee believes this additional funding is necessary to protect the Federal investment in these facilities, to sustain their useful life, and to prevent the need for premature investment in replacement facilities.

The Committee notes these recommendations are consistent with the September 1986 Report to Congress by the Bureau of Indian Affairs entitled "Rehabilitation Needs of Fish Production Facilities Funded by the Bureau of Indian Affairs and/or Indian Tribes for the Benefit of American Indians".

MINERALS AND MINING

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Minerals & Mining	10,259	8,574	6,836	8,574
Tribe/Agency Operations	---	1,654	1,640	1,640
	10,259	10,288	8,476	10,214

The Committee rejects the Administration proposal to reduce the Energy and Mineral Assessments program by $ 1,738,000. The justification for this proposal assumes no further funding of Phase III studies. It also projects limited funding for Phase II studies. In the Eastern Area the budget proposal assumes funding of only $ 37,500 for six reservations for Phase II studies. At least one tribe, the Penobscot Nation of Maine, has reason to believe that mineral deposits in paying quantities may be present on trust lands but has been unable to obtain funding for an adequate Phase II study.

The Committee notes that over the last sixteen years 76% of the total lease income nationwide has been derived from mineral leases. The justification notes that it takes from five to ten years of exploratory and development work prior to commencement of commercial mineral production, and states that considering the present market conditions in the mineral industry, mineral assessment work should be done now. The Committee notes with approval the proposal to increase the percentage of BIA's mineral assessment budget allocated to Indian tribes through Public Law 93-638 contracts and recommends that funds from this program continue to be made available to the Council of Energy Resource Tribes for research and technical assistance.

IRRIGATION

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Irrigation	7,587	7,618	7,618	7,618
Tribe/Agency Operations	---	---	---	---
	7,587	7,618	7,618	7,618

The Committee accepts the Administration's estimate for this program.

TRUST RESPONSIBILITIES

INDIAN RIGHTS PROTECTION

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Environmental Quality	1,185	1,264	1,263	1,263
Indian Rights Protection	16,630	24,022*	21,835	23,485
	17,815	25,286*	23,098	24,748

* This figure includes a transfer of FY '88 base funding in the amount of $ 7,500,000 from the Water REsources Planning, Management and Development program under the Natural Resource Development activity.

REAL ESTATE/FINANCIAL TRUST SERVICES

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Trust Services General	1,180	1,233	2,041	2,041
Real Estate Services	26,516	27,389	31,224	31,224
Financial Trust Services	4,616	4,787	6,977	6,977
	32,312	33,409	40,242	40,242

TRUST RESPONSIBILITIES

This budget activity is composed of two major subactivities: Indian Rights Protection and Real Estate/Financial Trust Services. Program elements of Indian Rights Protection are: Environmental Quality and Rights Protection. Program elements of Real Estate/Financial Trust Services are: Trust Services General, Real Estate Services, and Financial Trust Services. A separate request for a portion of funding for each of theese programs is made for Tribe/Agency Operations under this activity.

ENVIRONMENTAL QUALITY

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Environmental Quality	1,185	568	568	568
Tribe/Agency Operations	---	696	695	695
	1,185	1,264	1,263	1,263

The objectives of this program are to comply with a number of Acts dealing with environmental quality such as NEPA and historic preservation and protection required by such statutes as the Archeological Resources Protection Act. Funding for the program is split about evenly between the Central and Area Office level and the Tribe/Agency Operations level. There is no significant change in funding for this program. The Committee accepts the Administration's estimate for this program.

INDIAN RIGHTS PROTECTION

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Indian Rights Protection	16,630	20,034*	18,281	19,931
Tribe/Agency Operations (Other Rights Protection)	---	3,988	3,554	3,554
	16,630	24,022*	21,835	23,485

* This figure includes a transfer of FY '88 base funding in the amount of $ 7,500,000 from the Water Resources Planning, Management and Development program under the Natural Resource Development activity.

Of the seven programs falling within the Indian Rights Protection program, three bear significant reductions which do not appear justified. The Committee rejects the proposal of the Administration to reduce funding for the Historical and Cemetery Site Investigations required under ANCSA by $500,000 below the FY'88 base of $1,111,000; rejects the proposal to reduce Litigation Support by $800,000 below the FY'88 base of $1,980,000; and rejects the proposal to reduce funding for payment of Attorney Fees by $350,000 below the FY'88 base of $1,500,000.

ANCSA Historical and Cemetery Site Investigations are required under the Alaska Native Claims Settlement Act. BIA contends that despite the proposed reduction by 1/3rd of the FY'87 funding effort, the 1992 target date for completion can still be met, and that savings can be achieved by consolidation od administrative support in Anchorage and through coordination with BLM surveys. The Committee is concerned that this reduction would unnecessarily delay completion of this work.

The Litigation Support program provides information and evidence required by the United States in participating in litigation involving Indian rights. Support is also provided to tribes where thay are separately represented because of conflicts of interests with the United States. The program for funding of Attorney Fees is a part of the Litigation Support effort, providing support for separate representation of the tribes in the event of conflicts of interest with the United States or where the Attorney General otherwise declines to represent tribal interests. The proposal to decrease funding for the Litigation Support by $800,000 is a reduction of effort of approximately 40% and the support for payment of Attorney Fees by approximately 25%.

BIA justifies the reduction in funding for Litigation Support on the basis that the grounds that this deletes funds appropriated in FY'87 used to accelerate attention to non-water litigation. The FY'87 justification identified such cases as trespass; title questions; property line disputes; rights-of-way; allotment claims; mineral entry; pollution issues; and activities which have harmed or could harm the health and safety of the reservation population. The justification does not cite any reduction in case load to support its request for reduced funding.

As justification for the reduction in funding for Attorney Fees, the justification notes that application for funding have exceeded funds granted for the last two fiscal years, and states that based on that historical performance data (i.e., BIA denial of funding) the reduction is justified. There is no indication that these grants were denied for any reason other than lack of available funding.

The Committee notes that $7.5 million in base funding is transferred from the Water Resources program under Natural Resource Development to the Indian Rights Protection program, Water Rights Negotiation/Litigation. While the Committee has not posed an objection to this transfer, there is concern that this could impede the capacity of tribes to contract for water development studies under P.L. 93-638. If such an impediment is posed, then the Committee would urge that this funding remain in the Water Resources program under Natural Resource Development.

REAL ESTATE/FINANCIAL TRUST SERVICES

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Trust Services General	1,180	996	1,667	1,667
Tribe/Agency Operations	---	237	374	374
	1,180	1,233	2,041	2,041

The Trust Services General program provides general management and technical assistance on matters effecting trust assets. The Committee accepts the Adminstration's estimate for this program. The Committee notes that this program includes funding in the amount of $700,000 for a new "Resource Allocation/Effectiveness Study" which in some measure is driven by an OMB government-wide review of all programs by 1992 to measure productivity/costs of Federal programs. The Committee strongly urges that the BIA study be carried out with a maximum of consultation with the tribes and that any such study include a needs assessment on a reservation-by-reservation basis.

REAL ESTATE SERVICES

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Real Estate Services	26,516	8,448	10,869	10,869
Tribe/Agency Operations				
(Real Estate Appraisals)	---	3,758	3,664	3,664
(Other Real Estate Services	---	15,183	16,691	16,691
	26,516	27,389	31,224	31,224

This program is responsible for the maintenance of land titles, heirship data and property income data for over 200,000 tracts and separate records on 2 million ownership interests. The major increase in funding involves improvement of the record system through the Land Records Information System, and the filling of vacancies in the Land Titles and Records Offices which have been vacant for extended periods of time. The Committee accepts the Administration's estimate for this program.

FINANCIAL TRUST SERVICES

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Financial Trust Services	4,616	4,787	6,977	6,977
Tribe/Agency Operations	---	---	---	---
	4,616	4,787	6,977	6,977

The Committee accepts the Administration's estimate for this program.

The objective of this program is the investment, accounting and disbursing of approximately $1.7 billion of trust funds owned by Indian tribes or by individual Indians. A major initiative of BIA at this time is to contract with private banking institutions for the collection, accounting and investment of these trust monies. This increase is necessary to cover the additional costs to BIA of contracting this program with private banking institutions.

This new program was the subject of an oversight hearing by this Committee in September of 1986 and was the subject of lengthy discussion at our oversight hearing on February 19, 1987, of the fiscal year 1988 budget proposal. The Committee wishes to re-emphasize the need for consultation with the effected Indian tribes and individuals before implementation of this new system and transfer of tribal and individual trust funds to private banking management.

FACILITIES MANAGEMENT

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
GSA Rentals	9,800	9,936	9,936	9,936
Facilities Operation & Maintenance	78,709	77,861	70,971	77,861
Facilities O&M: Contract Support	1,336	---	---	1,336
	89,845	87,797	80,907	89,133

The Bureau proposes reducing the facilities management budget based upon space reduction goals and better utilization of space. As a backup plan, the bureau proposes that programs will be assessed additional costs if these goals are not met. The Committee does not believe the goals will be met and recommends funding at the FY 1988 base level.

GENERAL ADMINISTRATION

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Management and Administration	49,726	34,071	38,194	38,194
ADP Services	17,551	16,781	17,731	17,731
Employment Compensation Payments	7,538	12,203	12,131	12,131
Program Management	5,848	5,927	6,127	6,127
Consolidated Training Programs	840	840	840	840
Tribe/Agency Operations	---	19,553	19,486	19,486
	81,503	89,,375	94,509	94,509

CONSTRUCTION

	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Buildings & Utilities	48,110		32,360	49,892
Irrigation Systems	17,885	2,074	8,194	13,771
Housing	22,606	2,907	17,340	25,000
	88,601		57,894	88,663

An analysis of the Construction account follows.

Buildings & Utilities	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Education Projects	2,500		8,400	20,062
New Construction P&D	90		--	870
Facilities Improvement & Repair	33,020		23,960	23,960
Emergency Shelter/ Halfway House	5,000		--	5,000
Juvenile Detention Facilities	7,500		--	--
	48,110		32,360	49,892

The Committee does not agree with the Administration's proposal to fund construction of only one new school and to seek no funding for planning and design of any other new schools. The justification for zero funding for school construction given in FY '87 was that the BIA was undertaking a study of Indian education. It does not appear that that study has been completed and, in fact, BIA now proposes a new education intiative which this Committee rejects.

The Committee recommends funding new school construction in the amount of $11,662,000 over the $8,400,000 requested for construction of the Turtle Mountain Middle School. This additional funding will permit construction of the following new facilties:

St. Frances School, Rosebud, South Dakota	$8,762,000
Papago Cottage Dormitory project, Arizona	2,900,000
	$11,662,000

The St. Frances School will house 600 students -- K through 12th grade. The Papago Cottage Dormitory project will house 96 children at an existing school location in lieu of rehabilitation of a dormitory facility at Santa Rosa, some 35 miles distant from the school.

The Committee also recommends funding of $870,000 to provide for planning and design of the following schools:

Oglala High School at Pine Ridge, South Dakota	$420,000
Laguna Middle School, New Mexico	200,000
Cour d'Alene School, Idaho	250,000
	$870,000

The Committee also objects to the proposal to rescind $7.5 million appropriated to construct Juvenile Detention Centers under the Omnibus Drug Supplemental Appropriations Act of 1987, and rejects the proposal to zero fund Emergency Shelter/Halfway House construction in FY '88 and recommends continuation of funding for this program at the FY '87 level of $5 million.

Irrigation Systems	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Irrigation Const.	10,500		---	13,771
Dam Saftey	5,140		5,620	5,620
Surveys and Designs	500		500	500
Engineering & Supervision	1,745	2,074	2,074	2,074
	17,885	2,074	8,194	21,965

The Committee strongly opposes the $9.0 million rescission of last year's irrigation monies. The Committee recommends an additional $13.771 million for the following construction projects:

Fallon Paiute, Nevada	$1,250,000
Navajo Indian Irrigation Project	3,300,000
Ft. Belknap, Milk River Project, MT	1,000,000
Gila River/Sacaton Farms, AZ	1,771,000
Cheyenne River Sioux, SD	350,000
Crow Creek, SD	1,600,000
Lower Broule Sioux, SD	1,500,000
Ute Mountain Ute, Colo	2,000,000
Tule River, CA	1,000,000
	13,771,000

Housing	FY '87 Enacted to date	FY '88 Base	FY '88 Estimate	SSCIA Recommendation
Housing Development	2,599	2,847	2,847	2,847
Housing Improvement Program	19,884	--	14,370	25,000
	22,483	2,847	17,217	27,847

The Committee does not agree with the Administration's request for Housing Improvement Program funds and recommends $25 million for this program. The Committee notes that BIA identifies some 92,580 families as being in need of housing and that there are some 39,880 houses identified as suitable for renovation. BIA also states that 52,700 new homes are required. The primary housing program for Indians is operated by the Department of HUD. New houses under this BIA program are built only in emergency circumstances.

In addition to providing badly needed housing on Indian reservations, the Committee notes that these HIP monies will provide one of the primary sources for the work incentive program proposed by BIA for those receiving general assistance.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Indian Health Service

The Indian Health Service (IHS) is charged with administering the principal Federal health programs for American Indians and Alaska Natives. Since the 1980 census, there has been a 19 percent increase in the Native American population, and a 14 percent increase in demand for outpatient services. IHS serves approximately one million American Indian and Alaska Native patients under eligibility regulations promulgated by the Department of Health and Human Services.

The legal authority for the provision of health care services to American Indian and Alaska Native people is based upon commitments established in treaties between the United States and various Indian tribes, and several laws enacted by the Congress in furtherance of the United States' trust responsibility for Indian people, their lands and resources. The three fundamental Federal laws that provide authority for the activities and responsibilities carried out by the Indian Health Service are the Snyder Act of 1921, 25 U.S.C. 13; the Indian Sanitation Facilities Act, Public Law 86-121; and the Indian Health Care Improvement Act, 25 U.S.C. 2601, et seq. The Indian Health Service uses both direct and contract health care services to fulfill its' responsibilities.

Direct health services are provided through the operation of 45 hospitals, 72 health centers and several hundred smaller health stations and satellite clinics. The tribal health delivery system administered by tribes and tribal groups through contracts with IHS, operates 6 hospitals and approximately 300 outpatient health clinics. The purchase of medical care from other providers through contract health services provides supplemental services. The IHS has approximately 1,300 contracts with private providers, primarily for the delivery of specialty care, or for primary care in areas where IHS has no direct care facilities. Various clinical and referral services are provided to Indian and Alaska Native people residing in urban areas through 35 urban health programs.

President's Budget Request for Fiscal Year 1988

The President's Budget for Fiscal Year 1988 is premised in part upon Congressional approval of a proposal to transfer 1987 appropriations from the community health representative ($1,809,000), urban health ($1,000,000), and health facilities ($9,352,000) program accounts to cover the costs of a pay raise for Federal employees and contributions to the Federal Employees Retirement System. The President's Budget also requests approval of a proposal to rescind $57,100,000 of 1986 and 1987 appropriations for the Indian health facilities account. In addition, in an effort to make up a two percent shortfall in the hospital and clinic, contract care, and dental services accounts, the IHS Area and Program offices are being directed half way through fiscal year 1987 to limit expenditures to 98 percent of the fiscal year 1986 recurring base for hospital and clinics, contract care, and dental services.

Despite Congressional Budget Office estimates that show a 6.9% increase in the costs of providing health care services to Indian people from 1987 to 1988, the President's Budget Request for Fiscal Year 1988 proposes a four percent decrease in hospitals and clinics; a five percent decrease in the alcoholism program; and a twenty percent decrease in funds for the purchase of contract care from 1987 appropriations for those programs. Applying the gross national product implicit price deflator as set forth on pages 2 through 4 of the Budget of the United States, Fiscal Year 1988, the reductions proposed by the President would result in a seven percent loss in purchasing power for the hospital and clinics program; an eight percent loss for the alcoholism program; and a twenty three precent loss in purchasing power for contract care. Comparing the President's Request for direct care services programs to the amounts required to maintain services at the current level, the President's Request would reduce the current service level effort for the hospital and clinics program by 11%; for dental services by 4%; for alcoholism by 8%; and for contract care by 24%. Estimates of the amounts required to maintain services at current levels are derived from projections made by the Department of Health and Human Services.

Further, while the Indian Health Service Justifications of Appropriation Estimates states that the IHS will embark on a ten-year self-determination goal to have Indian tribal organizations administer 75 percent of IHS hospitals and clinics by 1998, the President's Budget proposes a 72% reduction in the program (tribal management) funds that are designed to assist tribal governments in developing the capacities to assume such operations and responsiblities. And, while the IHS budget justification indicates that 20 percent of all Indian and Alaska Native homes lack first-service water and sanitation, this year as last year, the President's Budget requests no funding for the provision of safe water and sanitation facilities for Indian homes.

In addition to the $57 million recission request for funds from the Indian health facilities account, the President's Budget requests $2,450,000 to meet the program's objectives of: (1) ensuring compliance with all buildings/grounds accreditation standards considered by the Joint Commission on the Accreditation of Hospitals; (2) providing improved facilities for inpatient and outpatient care; (3) maintaining IHS health care facilities to meet existing building codes and standards and improving the IHS overall facilities management capability; and (4) providing alternate energy sources and initiating energy conservation measures.

Taken together, the Committee finds that the proposal to transfer $12,161,000 of 1987 appropriated funds, the proposal to rescind $57,100,000 of 1986 and 1987 appropriated funds, the proposals to cut direct health care service funds by 11% and 24%, the proposal to provide no funding for water and sanitation facilities of Indian homes, and the proposal to reduce the tribal government capacity building activities by 72%, represent an irresponsible and unacceptable approach to the fulfillment of the United States' commitments and legal obligations to provide health care to Indian people. The Congress has established the policy, in the Indian Health Care Improvement Act, that the Federal government will seek to raise the health status of American Indian and Alaska Native people to the highest possible level. Nonetheless, it is widely acknowledged that overall, Native Americans continue to suffer a lower health status than any other segment of the American population. This year, rather than contributing to the goal of raising the health status of this country's native people, the President's Budget Request for the Indian Health Service for Fiscal Year 1988 seeks to undermine what progress has been realized in achieving that goal, and to provide substantial financial impediments to the capacity of the Indian Health Service to deliver quality health care to Indian and Alaska Native patients.

The members of the Select Committee on Indian Affairs strongly urge the members of the Committee on the Budget and the Committee on Appropriations to reject the proposals contained in the President's Budget Request for the Indian Health Service, and to adopt the level of funding, as recommended below, that will enable the Indian Health Service to continue its slow but steady progress toward the goal of ensuring that this nation's First Americans will one day enjoy the same good health status that other Americans have come to believe is a right of every citizen of the United States.

CLINICAL SERVICES

(In thousands of dollars)

	Baseline Fiscal Year 1987	Admin. Fiscal Year 1988 Request	SCIA Recommended Funding Level
Hospital & Health Clinic..	$479,767	$461,142	$519,278 1/ 534,856 2/
Dental Services...........	25,849	26,414	27,898 1/ 29,572 2/
Mental health.............	11,362	11,738	12,174 1/ 12,539 2/
Alcoholism................	27,705	26,414	29,175 1/ 30,050 2/
Maintenance & Repair......	9,025	9,025	9,359 2/
Contract Care.............	183,713	146,090	193,482 1/ 199,286 2/
TOTAL	$737,421	$681,903	$791,366 1/ $815,662 2/

1/ = Current Services 2/ = Recommended Funding Level

Hospital and Health Clinic Program

The President's Request for Hospitals and Clinics represents an 11% reduction from the level of services being provided in fiscal year 1987, and a 7% loss in purchasing power in fiscal year 1988 as compared to fiscal year 1987. The Committee finds the proposed reduction in direct health care services to Indian people unacceptable. Midway through the fiscal year, IHS is also directing its area and program offices to limit expenditures to 98% of the fiscal year 1986 recurring base -- an additional 2% cut in fiscal year 1987.

Based on Congressional Budget Office estimates of a 6.9% increase in the costs of providing health care to Indian people in fiscal year 1988 as compared to fiscal year 1987, and a projected 3.5% loss in purchasing power as projected on pages 2 through 4 of the Budget of the United States, Fiscal Year 1988, the Committee's recommended funding level allows for a modest increase of 3% over the amount necessary to maintain services at the fiscal year 1987 level of effort. The members of the Committee believe that such an increase is the only means of assuring that progress is realized in raising the health status of Indian and Alaska Native people to a level of parity with that of the general population, and that the quality of the health care provided to Indian people does not deteriorate. Further, with the acknowledged shortage of physician supply to the Indian Health Service that is associated with the elimination of the National Health Service Corps program, the members of the Committee believe that qualified health care providers will not elect to serve in the Indian Health Service unless they can be assured that the Federal government's commitment to quality health care for Indian people is supported by funding sufficient to assure that the objective of health status parity can be achieved.

Dental Services

According to the IHS Budget Justification, the President's Budget Request for Dental Services will require the Indian Health Service to terminate the provision of dental services to at least 1,200 Indian patients, and will reduce the total number of services rendered by 89,000. The President's Request for Dental Services represents an eight percent decrease from the amount necessary to maintain the current level of services, and a 4% loss in purchasing power based on the gross national product implicit price deflator as set forth in the Budget of the United States, Fiscal Year 1988.

The Committee's recommended funding level provides for a modest three percent increase over the amount necessary to maintain the fiscal year 1987 level of program effort, and will enable the Indian Health Service to begin to address a backlog in needed dental services that has resulted in over a one year's waiting period in many IHS clinics. Given the findings of the 1983-1984 Oral Health Survey which indicates that: (1) only 20 percent of Indian children are free from tooth decay and 30 percent have 7 or more teeth affected by decay vs. 15 percent nationally; (2) dental decay experience in permanent teeth of 5 through 17 year olds is twice the national average; (3) only 53 percent of decayed permanent teeth are filled vs. 79% nationally;

(4) 50% of Indian pre-school children have baby bottle tooth decay; (5) 70% of Indian children require restorations vs. 25% nationally; and (5) access to dental care (33%) is lower than the national average (55%); the members of the Committee believe that the proposed increase is not only modest, but probably falls far short of the amount of funding that is necessary to begin to reverse these statistics.

Mental Health

The President's Budget Request for Mental Health calls for 4% reduction from the level of services being provided in fiscal year 1987, and represents a four percent loss in purchasing power based on the gross national product implicit price deflator as set forth in the Budget of the United States, Fiscal Year 1988. At a time when the suicide rate among Indians and Alaska Natives is acknowledged to be amongst the highest of any population worldwide, the Committee finds the President's proposed funding level to be unacceptable.

Instead, the Committee recommends a level of funding that will allow the Indian Health Service to maintain not only the current level of services, but that will enable the IHS to expand mental health services by a modest three percent. The members of the Committee believe that rather than reducing the number of client contacts by 5,000 in fiscal year 1988, as the President's Budget proposes, the mental health problems that are reflected in alarmingly high rates of alcoholism and suicide in the Indian and Alaska Native population must be addressed with an increase in the number of patient contacts.

Alcoholism

There is perhaps no other health problem in the American Indian and Alaska Native population that is more significant or widespread than the problem of alcoholism. Nonetheless, the President's Budget for the IHS Alcoholism program proposes to reduce outpatient visits and inpatient days by 4.6%, to reduce by 14,800 the number of outpatient visits, and by 10,900 the number of inpatient days. The amount of funding proposed in the President's Budget would reduce funding by 5% below the fiscal year 1987 level of services, and would result in a loss of purchasing power of 8%, based on the gross national product implicit price deflator as set forth in the Budget of the United States, Fiscal Year 1988.

In 1987, the Congress and the President established a major national priority aimed at the prevention and treatment of alcohol and drug abuse through the enactment of Public Laws 99-500 and 99-591. In furtherance of the objectives adopted by the Congress and the President, the Committee recommends a level of funding for the IHS alcoholism program that will maintain the fiscal year 1987 level of services, and that will enable a modest increase of three percent in the IHS effort to address the serious problem of Indian alcoholism.

Maintenance & Repair

The IHS Budget Justification states that, "One element vital to ensuring a continued IHS capability for adequate patient care is the provision of a well maintained physical plant within which the task of health care delivery can be carried out safely, efficiently, and economically." The IHS operates and maintains 45 hospitals, 72 health centers, several hundred health stations, 2,025 units of personnel quarters, numerous warehouses, boiler plants, maintenance shops, government automotive garages, emergency power plants and other buildings. These structures contain more than 7.6 million gross square feet of floor space. In addition, IHS controls and maintains over 121,281 square feet of lease facilities and a total of 1,826.7 acres of institutional and trust land. The IHS budget justification indicates that the backlog of essential maintenance and repair projects (BEMAR) deficiencies as of December 31, 1986 amounted to $82,472,692, and that the total amount of necessary alterations as of that date amounted to $35,979,765. To address this backlog of deficiencies and alterations, the President's Budget proposes to expend $9,025,000 -- the same amount that was appropriated in fiscal year 1987. The President's Request represents a four percent reduction from the amount necessary to maintain services at the current level, and a three percent loss in purchasing power.

The Committee recommends a level of funding for the maintenance and repair program that will allow the Indian Health Service to maintain the fiscal year 1987 level of program effort. The members of the Committee do not contend that even this recommended level of funding is adequate to begin to address the backlog of deficiencies and alterations that have been identified, but in the interest of keeping the overall IHS funding within deficit reduction targets, the members of the Committee believe that the maintenance of services at existing levels is the next best alternative.

Contract Care

The most extreme reduction in direct health services proposed in the President's Budget is in the area of contract care -- care purchased from private and tribal health care providers -- where the President's Budget proposes a 24% decrease from the level of services provided in fiscal year 1987, or a 23% loss in purchasing power based on the gross national product implicit price deflator as contained in the Budget of the United States, Fiscal Year 1988.

Under the current level of services, access to contract care is limited to life - and limb - threatening illnesses and injuries only. In areas of the country in which contract care is the only health care available to IHS-eligible patients, such as the states of Washington, Idaho, Oregon, and parts of western Nevada, the effect of the proposed reduction can be expected to have a more severe impact than areas in which the Indian Health Service operates hospitals and clinics. Tribal governments that contract with the Indian Health Service to provide contract care in tribally-operated outpatient facilities and hospitals may be forced to close those facilities given the proposed reduction, in spite of the IHS goal to have 75 percent of all IHS hospitals and clinics under tribal administration by 1998.

At the same time that the 24% reduction is being proposed for the contract care budget, the Indian Health Service has imposed a cap on reimbursements to contract care providers consistent with medicare allowable rates. In response, numerous health care providers have indicated that they will not renew contracts with the Indian Health Service or enter into new contracts with IHS.

In some rural and isolated areas, this will mean a direct loss of access for Indian patients to the only health care providers in those areas. Compounding the difficulty of access, contract care that is available at greater distances from the patient will be severely limited if the proposed reduction is approved.

The Committee cannot accept the President's proposal for contract care, and recommends a funding level that will allow services to be maintained at fiscal year 1987 levels with a modest increase of 3%, recognizing the increased costs associated with the purchase of care from the private sector. The members of the Committee further believe that to the extent the proposed reduction affects tribal contract care providers, the President's Budget request is inconsistent with the self-determination goal that is articulated in the IHS Budget Justification.

PREVENTIVE HEALTH

(In thousands of dollars)

	Baseline Fiscal Year 1987	Admin. Fiscal Year 1988 Request	SCIA Recommended Funding Level
Sanitation..............	$22,307	$23,307	$23,676 1/
Public Health Nursing...	12,807	13,659	13,903 1/
Health Education........	3,883	4,008	4,151 1/
Community Health Representative.........	26,000	24,191	27,282 2/
Hepatitis B.............	395	395	416 1/
TOTAL	$65,472	$65,560	$69,428 1/

1/ = Current Services
2/ = Current Services & Disallowance of Proposed Appropropriation Transfer

affect health. The ultimate objective of health education is to use its educational and behavior change skills to motivate Indian beneficiaries to assume the major responsibility for taking action to bring about the best possible health. The President's Budget Request for Health Education proposes a three percent reduction in the level of current services, and a reduction of 14,000 health education services in fiscal year 1988.

The Committee's recommended funding level for Health Education will allow the Indian Health Service to maintain the fiscal year 1987 level of program effort.

Community Health Representatives

The goal of the Community Health Representatives (CHR) program is to address health care needs through the provision of community-oriented primary care services, including traditional native concepts in multiple settings, using community-based, well-trained, medically-guided Indian and Alaska Native health workers. The IHS Budget Justification states, "An example of one of the most dramatic influences of the CHR program in tribal health delivery of direct health care is demonstrated by the accomplishments in tribal emergency medical service programs and the immunization initiative. Many community-based CHRs are EMT (Emergency Medical Technician) instructors and EMTs who provide the staff for the management and operation of ambulance services for Indian communities. In addition, others are trained as First Responders and equipped with mobile radios and medical kits. Without the active involvement of CHR personnel, many tribal ambulance service programs will not survive."

The President's Budget Request for Community Health Representatives is premised in part on Congressional approval of an appropriation transfer of $1,809,000 from the CHR program to fund Federal pay increases and the Federal Employees Retirement System, despite the fact that currently, CHRs do not receive any Federal retirement benefits nor Federal pay increases. The President's Budget proposes to begin a three-year phase over of the CHR program to other funding sources which are not identified, beginning in fiscal year 1989. The President's Budget Request for Fiscal Year 1988 for the CHR program proposes an 11% reduction in the level of current services, and a reduction of 105,514 patient contacts, which would result in a 10% loss in purchasing power according to the gross national product implicit price deflator as set forth in the Budget of the United States, Fiscal Year 1988.

The Committee strongly urges the Committee on Appropriations to reject the proposed appropriation transfer of CHR funds. Further, given its' widely acknowledged importance to the overall IHS health care delivery system, the Committee opposes any attempts to phase over funding of the CHR program to alternate sources, until such sources are specifically identified to the relevant committees of the Congress, and the Congress has acted to approve the proposed phase over. The Committee recommends a funding level for the CHR program that will allow the Indian Health Service to maintain the fiscal year 1987 level of program effort.

Hepatitis B Screening and Immunization Program

In response to an epidemic of Hepatitis B among native people of Alaska, the Hepatitis B Screening and Immunization Program began in 1982 and involved the Indian Health Service, the state of Alaska, and the HHS Centers for Disease Control. The program's initial goals were to identify those persons most at risk for Hepatitis B infection and to begin control of the further spread of the Hepatitis B virus in the population. Early findings indicated that the native people of Alaska were more susceptible to infection from the virus than non-native people. Findings also indicate that newborns, because of an immature immune system, are at high risk of becoming chronic carriers if they are infected with Hepatitis B virus. Chronic carriers are 230 times more likely to develop primary liver cancer than the normal population. Semiannual blood tests of Alpha Feto Protein are to be conducted on all chronic carriers to detect this primary liver cancer at an early, potentially curable state. The Seattle Indian Health Board, an urban Indian health care program located in Seattle, Washington, that is partially funded by IHS, has also participated in the screening and immunization activities, in an effort to check the spread of the Hepatitis B virus among Alaska Natives that travel back and forth from Alaska to Seattle. The objectives of the ongoing Hepatitis B program is to vaccinate all newborns and new employees, and to continue to follow approximately 1,700 known Hepatitis B chronic carriers with semiannual Hepatitis B and Alpha Feto Protein testing.

The President's Budget Request for the Hepatitis B Screening and Immunization program proposes a five percent reduction in the level of current services, and a reduction of 9,500 in the number of patients vaccinated.

The Committee recommends a funding level for the Hepatitis B Screening and Immunization program that will allow the Indian Health Service to maintain the fiscal year 1987 level of program effort.

URBAN HEALTH

	Baseline Fiscal Year 1987	Admin. Fiscal Year 1988 Request	SCIA Recommended Funding Level
Urban Health	$9,000	$8,000	$ 9,524 1/

Urban Health

The Indian Health Service partially funds 35 urban Indian health organizations located in various cities through the United States to provide health services to the medically underserved urban Indian population. High concentrations of Indian people in certain urban areas is the result, in part, of Federal policy that established Federal relocation centers for Indian people at a time when the Federal government was encouraging the termination of Indian reservations and the assimilation of Indian people into the non-Indian society. Urban Indian health programs provide outreach and referral services as well as the delivery of direct comprehensive ambulatory health care. Services currently being provided include medical, dental, community services, and a variety of other health related services, such as family

Sanitation

The President's Budget Request for sanitation proposes a two percent reduction in the level of current services, and a reduction of 2,000 environmental health services in fiscal year 1988.

The Committee's recommended funding level for sanitation will allow the Indian Health Service to maintain the fiscal year 1987 level of program effort.

Public Health Nursing

The President's Budget Request for public health nursing proposes a two percent reduction in the level of current services, a reduction of 7,000 public health nursing services, and a reduction of 500 in the number of families served by the public health nursing program.

The Committee finds the President's Request for public health nursing to be inconsistent with the IHS objective of implementing a comprehensive health promotion and disease prevention initiative, and recommends a funding level that will allow the Indian Health Service to maintain the fiscal year 1987 level of program effort.

Health Education

Recognizing that many health problems that afflict the Indian population are preventable, the IHS goal for the Health Education program is to assist the Indian people to adopt health-promoting lifestyles; to wisely select and use health care resources, products and services; and to influence the policy and planning on health care issues and larger environmental matters that planning, mental health, nutrition and health education, social services, alcohol and drug abuse, and home health care.

The President's Budget Request for Urban Health is premised in part on Congressional approval of a proposed appropriation transfer of $1,000,000 for the Urban Indian Health program to fund Federal pay increases and the Federal Employee Retirement System, even though employees for the Urban Indian Health programs do not receive any Federal retirement benefits nor pay increases. The President's Budget proposes a three-year phase down of the Urban Indian health program, beginning in fiscal year 1988. The President's Budget Request for fiscal year 1988 proposes a 15% reduction in current services, or a loss of 14% in purchasing power according to the gross national product price deflator as contained in the Budget of the United States, Fiscal Year 1988.

The members of the Select Committee on Indian Affairs strongly urge the Committee on Appropriations to deny the proposed appropriation transfer. The Committee is further opposed to any phase down of the urban Indian health care effort until alternate funding sources are specifically identified to the relevant committees of the Congress, and the Congress has acted to approve the phase down. The Committee's recommended funding level will allow the Indian Health Service to maintain its funding commitment to the urban Indian health programs at the fiscal year 1987 level of effort. Included in the Committee's recommended level of funding is an additional $100,000 for the funding of a lease/purchase agreement to be used as a matching share for other resources to provide for permanent quarters for the alcoholism rehabilitation and treatment center operated by the Seattle Indian Health Board.

INDIAN HEALTH MANPOWER

	Baseline Fiscal Year 1987	Admin. Fiscal Year 1988 Request	SCIA Recommended Funding Level
Indian Health Manpower....	$7,018	$4,646	$7,244

Indian Health Manpower

With the elimination of the National Health Service Corps program, the source of physician supply on which the Indian Health Service relies for over half of its' physician corps, will be terminated. The IHS Budget Justification states, "The IHS is experiencing shortages of the critical health manpower required to effectively provide health services. Title I of the P.L. 94-437 (the Indian Health Care Improvement Act), Indian Health Manpower, authorizes the needed resources for the training of Indian health professionals and assists the IHS in coping with its manpower shortages." Nonetheless, the President's Budget Request for Indian Health Manpower proposes to eliminate the Indian Health Service scholarship program by providing for no new starts in the program in fiscal year 1988.

The Indian Health Manpower program consists of a health professions recruitment program for Indians which has provided grants to four university Master of Public Health Programs (University of California, University of Oklahoma, University of North Carolina, and University of Hawaii) and to the Indians into

Medicine Program at the University of North Dakota; a health professions scholarship program which provides financial aid to qualified Indian individuals in health professions institutions who, upon graduation, will provide their professional services to Indian people, and an extern program that provides for work-service in the Indian Health Service during non-academic periods for students receiving health professions scholarship assistance. The Indian Health Service health professions scholarship program is the last remaining source of health care professionals for the Indian Health Service who by virtue of receiving scholarship assistance, are obligated to serve in the Indian Health Service.

The President's Budget Request for Indian Health Manpower proposes to phase out the Indian Health Service health professions scholarship program by providing for no new starts in fiscal year 1988, and further proposes a 36% reduction in the level of current services being provided by the program. The President's Request would result in a reduction of 85 scholarships in the health professions preparatory program; a reduction of 104 scholarships in the health professions scholarship program; and a reduction of 104 externs in the IHS extern program.

The members of the Select Committee on Indian Affairs urge the Committee on the Budget and the Committee on Appropriations to reject the President's proposed elimination of the Indian Health Service health professions scholarship program, and to adopt the Committee's recommended level of funding that will allow the Indian Health Service to maintain services at the fiscal year 1987 level of program effort.

TRIBAL MANAGEMENT

	Baseline Fiscal Year 1987	Admin. Fiscal Year 1988 Request	SCIA Recommended Funding Level
Tribal Management......	$2,688	$ 749	$2,829

Tribal Management

Despite the stated self-determination goal as set forth in the IHS Budget Justification, of having 75% of all IHS hospitals and clinics under tribal administration by 1998, the President's Budget proposes a 74% reduction in the program which is designed to assist tribal governments in developing the capacities to assume such responsibilities and operations. The loss in purchasing power associated with the proposed reduction is 73%.

The Committee recommends a funding level that will allow the Indian Health Service to continue to provide capacity-building assistance to tribal governments at the fiscal year 1987 level of program effort.

refusal to expend appropriated funds for the construction and repair of IHS facilities. Again in Fiscal Year 1988, as in Fiscal Year 1987, the President's Budget proposes a rescission of funds appropriated in prior years for the construction of IHS facilities -- this year's proposed rescission of 1986 and 1987 appropriated funds amounts to $57,100,000. For Fiscal Year 1988, the President's Budget Request proposes to fund the Indian Health Facilities account at $2,450,000, and proposes no funding for the construction of water and sanitation facilities for Indian homes despite the statement in the IHS Budget Justification that 20% of Indian homes lack first service water and sanitation.

The members of the Select Committee on Indian Affairs urge the Committee on the Budget and the Committee on Appropriations to reject the proposed merger of the Indian Health Facilities account with the Indian Health Service account. The Committee members also strongly urge the members of the Committee on Appropriations to deny the President's proposed rescission of $57,100,000 from the Indian Health Facilities account. The Committee's recommended level of funding will provide for the provision of water and sanitation facilities to approximately 2,500 housing units, and will allow for the construction or repair of the IHS facilities identified below.

DIRECT OPERATIONS

	Baseline Fiscal Year 1987	Admin. Fiscal Year 1988 Request	SCIA Recommended Funding Level
Direct Operations.......	$36,410	$34,337	$39,781

Direct Operations

The direct operations programs funds the administration and management of the Indian Health Service. The President's Budget Request for Direct Operations proposes a 14% reduction in the current services provided by the program.

The Committee's recommended funding level will allow the Indian Health Service to maintain the fiscal year 1987 level of program effort.

INDIAN HEALTH FACILITIES

	Baseline Fiscal Year 1987	Admin. Fiscal Year 1988	SCIA Recommended Funding Level
Indian Health Facilities...	$71,055	$ 2,450	$58,512

Indian Health Facilities

Again in Fiscal Year 1988, as in past years, the President's Budget proposes to merge the Indian Health Facilities account with the Indian Health Service account. The Congress has consistently rejected previous proposals to merge the two accounts, based on the loss of accountability that is projected to result from such merging, and the Administration's continued

		SCIA Recommended Funding Fiscal Year 1988
Hospitals -- construction appropriations:		
1.	Pine Ridge, South Dakota	$11,201,000
2.	Fort Belknap, Montana	8,839,000
3.	Fort Defiance, Arizona	2,204,000
4.	PHS Indian Hospital at Crow Agency, Montana	860,000
Outpatient Care Facilities -- construction appropriation:		
5.	Toppenish, Washington	7,884,000
6.	Parker, Arizona	400,000
7.	Salisaw, Oklahoma	231,000
8.	Belcourt, North Dakota	1,142,000
9.	Puyallup, Washington	392,000
Sanitation Facilities:		
10.	BIA & Tribal Other Built Homes (2,500 units)	20,000,000
	Total	$53,512,000

OMNIBUS ANTI-DRUG ABUSE ACT ISSUES

For the purposes of implementing the Omnibus Anti-Drug Abuse Act of 1986 the Committee recommends that funds be appropriated in FY'88 in the amount authorized by the legislation:

$9 million for the construction or renovation and staffing of Indian youth regional treatment centers, $3 million for the renovation of existing federal buildings to house such treatment centers;

$9 million for provision of community-based rehabilitation services;

$4 million for the development and implementation of a demonstration health promotion program; and

$300,000 for a demonstration program in Gallup, New Mexico to rehabilitate adult Navajo Indians suffering from alcoholism or alcohol abuse.

OTHER HUMAN DEVELOPMENT SERVICES PROGRAMS

ADMINISTRATION FOR NATIVE AMERICANS (ANA)

The fiscal year 1987 appropriated level for the ANA program is $28,989,000. For fiscal year 1988, the Administration has proposed a $2,277,366,000. generic appropriations request for all the discretionary social services activities administered by the Office of Human Development Services within the Department of Health and Human Services. The ANA program is one of about 17 discretionary social services programs administered by the Office of Human Development Services.

The generic funding method, according to the rationale for the budget request, without specifying dollar levels for the ANA program, will "simplify the budget decision-making process and enable the Office of Human Development Services to focus resource allocation decisions on the overall direction of Federal policy for social services rather than on specific programs." However, the Committee is concerned that such a funding methodology will make tracking of the ANA program difficult. Under this concept, ANA will have no specified appropriations. Native American entities eligible for financial assistance from the ANA program should be able to ascertain the amount of funds available in a fiscal year and the number of funding cycles to anticipate in preparation of applications for assistance. The generic "pooling" of funds could make accountibility of funds and planning of program objectives questionable.

While the level of funding for the ANA program has remained relatively constant over the past several years, inflation has reduced the real value almost in half. Currently, the ANA program is only able to fund about 50 percent of the applications it receives. The Committee, therefore, recommends that the level of funding for FY'88 be budgeted at $30,000,000 to be distributed as follows: $28,000,000 for Financial Assistance Grants: $1,000,000 for Training and Technical Assistance; and $1,000,000 for Research, Demonstration, and Evaluation.

DEPARTMENT OF EDUCATION

TITLE IV, INDIAN EDUCATION ACT

(In thousands of dollars)

	BASELINE FY1987	ADMIN. FY1988 REQUEST	SCIA RECOMM. 1988	1989	1990	1991	1992
Part A	$47,200	$47,200	$47,696	$48,199	$48,708	$49,222	$49,741
Part B	11,568	11,568	11,690	11,813	11,938	12,064	12,191
Part C	3,000	3,000	3,032	3,064	3,096	3,129	3,162
Part D	2,268	2,466*	2,466	2,492	2,518	2,545	2,572
TOTAL	$64,036	$64,234*	$64,884	$65,568	$66,260	$66,960	$67,666

*198,000 increase in Part D reflects fixed cost pay increases and a small increase in travel for audit and technical assistance purposes.

The Indian Education Act (P.L. 92-318), enacted in 1972, was designed to improve educational opportunities for disadvantaged Indian children, college students, and adults. Part A of the Act provides basic grants to both public schools and reservation-based Indian controlled schools. In 1985, Part A served 1,060 public and 53 Indian schools with 320,000 Indian children. Also, 33 discretionary grants were made to 28 Indian schools serving 6,400 Indian children. Part B funds competitive grants to improve the quality of education programs for Indians. Part C funds programs to enable Indians to finish high school and to receive employment training and other adult education services.

Between 1970 and 1980, the percentage of Indian adults of age 25 and older who were high school graduates increased from 33.3 percent to 55.8 percent; the median years of school completed by this group increased from 9.8 years to 12.2 years. These are impressive statistics but Indians still lag behind other groups in years of school completed, high school retention rates, median family incomes, and percentage of families above the poverty level.

In FY 1979, Title IV was funded at $71,735,000. Funding for the program reached a high of $81,680,000 in FY 1981 and has gradually been cut to its current level of $64,036,000 in FY 1987. In 1981 dollars, the current funding level would be $47,167,000 (using the Administration's deflator factor presented in the FY 1988 budget). Because of the severe cuts of the past 7 years, the Committee is concerned that Indian children will fall farther behind and that the gains of 1970s will be lost. Using the CBO inflator factor for education programs, the Committee therefore recommends a modest $650,000 increase over the Administration's FY 1988 budget request for Title IV to prevent further slippage in the program.

The Administration recommends that Part A funding remain at the FY 1987 level but with a reduction in the set-aside for Indian controlled schools to be offset by an increase in the formula grants to local education agencies (LEAs). The Committee accepts the proposal for the second reason given by the Department for the reallocation, i.e., to correct the current disparity in Title IV funding allocations where LEAs now receive about $136 per Indian student and Indian controlled schools receive $593 per student. The first justification is the Administration's contention that the reallocation is necessary because of the BIA's proposal to transfer the operation of its schools to public school systems. The Committee opposes the proposed BIA education initiative (see BIA education discussion).

DEPARTMENT OF EDUCATION: Other Programs

The Department of Education funds five other major programs for which large numbers of Indian students are eligible. Although the Committee does not have direct jurisdiction over these five programs -- Impact Aid (P.L. 874), the Vocational Education Act, Chapter 1, Library Services and the Bilingual Education Act -- we wish to note our concerns about the FY'88 funding recommendations for these programs as they affect Indian students. In particular, the Committee wishes to note that it objects to the proposal to eliminate the Vocational Education Basic Grants and the library services program. The Vocational Education Act contains a set-aside for Indian and Native Hawaiian programs, for which $12,390,000 was appropriated in FY 1987. This amount will serve 3,740 trainees in 67 programs at a per trainee cost of $2,500 for Hawaiians and $3,591 for Indians. The Administration's justification for the elimination of this program is without merit. There is no indication that alternative funding sources are available. This program provides needed services in Indian, Native Hawaiian and Alaska Native communities where unemployment is much greater than the national average.

Indian communities have a set-aside under the Library Services Act which the Administration is proposing to zero out in FY 1988. Arguing that public libraries are available to 96 percent of all Americans, the Administration contends that there is sufficient local and state support to continue this widespread access to libraries. In its budget report, the Administration further states that funds set aside for Indian and Native Hawaiians in 1985 and 1986 and reduced levels in 1987 "will serve as seed money to encourage libarary improvement for, and with the direct involvement of Indians, and Native Hawaiians." There is no data to support this statement. Absent the necessary data confirming that American Indians, Alaska Natives, and Native Hawaiians have access to public libraries or other library funds, the Committee objects to the proposal to terminate this portion of the Library Services program.

Impact Aid (P.L. 874) provides basic operational support to public schools impacted by the presence of large numbers of children who live on non-taxable federal and or Indian lands. The construction part of Impact Aid (P.L. 815) assists local school districts to build or repair schools attended by large numbers of impact aid students. For the most part, Indian children are part "a" students. The Administration is proposing to zero out funding for part "b" students. The Committee objects to termination of funding for part "b" students without having the opportunity to analyze how this would affect funding of schools with primarily Indian part "a" students.

The Committee also wishes to note its concern over new regulations being promulgated by the Department of Education for Bilingual Education Act programs. Under the new regulations, Indian Children who speak a combination of a native language and English may not be eligible participants in this program. The Committee requests clarification on the impact of these new regulations.

Chapter I funds provide compensatory services to educationally disadvantaged students at all grade levels. Funding in FY'87 was $3.951 billion; the FY 1988 request is $4.144 billion. Of the 4.9 million children served in the 1984-85 school year, two percent or about 98,000 were American

Indians; an equal number were Asian or Pacific Islanders. Noting the importance of these funds, which are used for the most part for instructional services, the Committee recommends that funding for this program be increased as requested for FY 1988.

DEPARTMENT OF LABOR

Job Training Partnership Act (JTPA)

The Committee reiterates its concern that special attention be given to the pressing problems of unemployment for Native Americans. JTPA and the Summer Youth programs are designed to address the overwhelming unemployment problems within the Native American communities. Through vocational training work experience and other services, these programs aim at getting adult participants into permanent, unsubsidized jobs and at gearing young people toward careers. Cutbacks, rescissions and program mergers which negatively impact upon these vital programs will be costlier down the line and each person eliminated from these programs may easily show up as a negative statistic elsewhere in society. The Committee encourages and supports the efforts of the Department of Labor in these highly successful programs and urges continuance and budgetary enhancement for JTPA programs.

Economic Development Administration

Although it is not within the jurisdiction of this Committee, the Committee wishes to express its opposition to the Administration's proposed plan to terminate the Economic Development Administration (EDA). This proposal is identical to a proposal rejected by Congress during consideration of the President's FY'87 Budget Request.

The Committee believes that economic development is vital to the health, stability, and prosperity of Indian tribes. Consequently, elimination of this agency, which has been so successful in fostering jobs and businesses in Indian Country, would be a travesty. There are many tribes that desperately need this type of assistance. We believe it is well within the means of the Federal government to continue this vital program.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
INDIAN HOUSING PROGRAM

Federally assisted housing on Indian reservations and trust land areas (Alaska and Oklahoma) is provided primarily by the HUD Indian housing program. Since the 1960's, HUD has provided assistance in the development and management of housing for Indian and Alaskan Natives pursuant to the United States Housing Act of 1937 as amended. According to the Bureau of Indian Affairs' housing inventory for Fiscal Year 1986, approximately 92,580 Indian families are in need of substantial housing assistance; 39,880 families need rehabilitation assistance and 52,700 families need new homes.

In the past few years the Administration has zeroed out new construction for Indian housing units. The administration has requested 1000 new units for FY'88. While the request is greater than zero, it is still not adequate to meet the documented need. The Committee recommends $214.5 million for 3000 new units of Indian housing. The entire amount will be shown as one year's funding rather than the long-term financing which is how new construction has been financed in the past. It makes annual appropriations look more expensive for fewer units, however, it cuts long-term financing costs thus saving money for the federal government.

The Committee opposes the Administration's proposal to rescind the reuse authority that Congress granted last year to the HUD Indian housing program. Reuse authority permits HUD to transfer budget authority between Indian Housing Authorities for housing units that have stagnated in the construction pipeline. In the past, HUD simply returned the recaptured budget authority to the Treasury. Given the critical need for housing within Indian country, it makes no sense to return budget authority to the Treasury.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT INDIAN HOUSING PROGRAM

Federally assisted housing on Indian reservations and trust land areas (Alaska and Oklahoma) is provided primarily by the HUD Indian housing program. Since the 1960's, HUD has provided assistance in the development and management of housing for Indian and Alaskan Natives pursuant to the United States Housing Act of 1937 as amended. According to the Bureau of Indian Affairs' housing inventory for Fiscal Year 1986, approximately 92,580 Indian families are in need of substantial housing assistance; 39,880 families need rehabilitation assistance and 52,700 families need new homes.

In the past few years the Administration has zeroed out new construction for Indian housing units. The administration has requested 1000 new units for FY'88. While the request is greater than zero, it is still not adequate to meet the documented need. The Committee recommends $214.5 million for 3000 new units of Indian housing. The entire amount will be shown as one year's funding rather than the long-term financing which is how new construction has been financed in the past. It makes annual appropriations look more expensive for fewer units, however, it cuts long-term financing costs thus saving money for the federal government.

The Committee opposes the Administration's proposal to rescind the reuse authority that Congress granted last year to the HUD Indian housing program. Reuse authority permits HUD to transfer budget authority between Indian Housing Authorities for housing units that have stagnated in the construction pipeline. In the past, HUD simply returned the recaptured budget authority to the Treasury. Given the critical need for housing within Indian country, it makes no sense to return budget authority to the Treasury.

JOHN MELCHER, MONTANA, CHAIRMAN

JOHN GLENN, OHIO
LAWTON CHILES, FLORIDA
DAVID PRYOR, ARKANSAS
BILL BRADLEY, NEW JERSEY
QUENTIN N. BURDICK, NORTH DAKOTA
J. BENNETT JOHNSTON, LOUISIANA
JOHN B. BREAUX, LOUISIANA
RICHARD SHELBY, ALABAMA
HARRY REID, NEVADA

JOHN HEINZ, PENNSYLVANIA
WILLIAM S. COHEN, MAINE
LARRY PRESSLER, SOUTH DAKOTA
CHARLES E. GRASSLEY, IOWA
PETE WILSON, CALIFORNIA
PETE V. DOMENICI, NEW MEXICO
JOHN H. CHAFEE, RHODE ISLAND
DAVE DURENBERGER, MINNESOTA
ALAN K. SIMPSON, WYOMING

MAX I. RICHTMAN, STAFF DIRECTOR
STEPHEN R. McCONNELL, MINORITY STAFF DIRECTOR

United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, DC 20510-6400

February 25, 1987

The Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

We are writing in response to your request regarding the views of the Special Committee on Aging on the fiscal year 1988 budget. Although the Congressional Budget Act does not require our Committee to submit views and comments on the budget, we value this opportunity to present our thoughts and concerns about older Americans as they are affected by the Congressional budget process.

Under the Balanced Budget and Emergency Deficit Control Act of 1985, the budget resolution would need to achieve deficit reduction in line with the target set by Gramm-Rudman-Hollings. We are mindful of the major task before the Congress to achieve this target in a way that spreads the burden of deficit reduction as equitably as possible. The choices facing us are not easy, and will require sensitivity to the special vulnerabilities of the aged, poor and disabled.

While we will work within the constraints of deficit reduction, both the Congress and the Administration share a common interest in easing the burden of catastrophic health care costs. At Aging Committee hearings conducted on January 26 and January 28, we heard repeated statements concerning the overwhelming burden of nursing home costs. Considerable effort is already under way in both the House and the Senate to address this very serious issue. In conjunction with our efforts to cover catastrophic health costs, the Congress should move quickly to address the tragic impoverishment of the spouse of an individual who enters a nursing home and must be covered by Medicaid.

Our Committee also strongly believes that deficit reduction should not be achieved at the expense of quality and access to health care, and we intend to examine the Administration's 1988 proposals in this light. The proposed budget is especially harsh on Medicare and Medicaid, providing for $6 billion dollars in Medicare cuts to beneficiaries and providers of medical care, and $1.5 billion in Medicaid reductions. At a time when the elderly are already paying on average more than 15 percent of their incomes for health care, the Medicare proposal would shift approximately

$400 million to older Americans in new out-of-pocket costs. These proposals are of particular concern to us because the elderly already pay the same proportion of their income for out-of-pocket medical costs as they did prior to the enactment of Medicare.

In addition, the very significant reductions in Medicare and Medicaid reimbursement for providers could undermine their ability to provide high quality health care. The Committee is particularly concerned about the impact of these reductions on the quality of nursing home care. The Congress has a great opportunity in 1987 to build upon last year's momentum to strengthen our ability to protect quality care for our nation's 1.5 million nursing home residents.

The President's commitment to covering the catastrophic health care costs of the elderly conflicts with his repeated proposal to place a cap on federal expenditures for Medicaid. In light of the tremendous demographic changes in our society and the financial strains facing our states, to place an added burden on the states will only exacerbate quality and access problems and potentially create conflicts between various populations in great need, including children and the disabled.

The Older Americans Act will be reauthorized this year providing us the opportunity to strengthen this effective system of services for older Americans. Programs supported by the OAA are increasingly taxed by exploding demographics and other developments such as demands for services created by earlier discharges from hospitals due to Medicare's Prospective Payment System. Congress must use this opportunity to examine the Act's ability to serve minorities, the frail elderly and other vulnerable segments of our aging society.

The separation of Social Security from the budget debate and from budget legislation is another issue of particular importance to older Americans. By law, Social Security and other cash benefit programs (Old-age survivors, and disability insurance) are excluded from the federal budget and are not permitted in budget reconciliation bills. Nonetheless, as significant surpluses develop in the Social Security Trust Fund over the coming years, we fear that the Congress may be tempted to use Social Security surpluses off-budget to justify high levels of spending in the budget. We urge the Congress to seriously consider the consequences for the long-term viability of the Social Security program of any budget decisions that would effectively use Social Security revenues for other purposes.

The Committee will conduct an oversight hearing on March 13, 1987, to examine the impact of certain aspects of the President's FY 1988 budget on the elderly. We will share with you our findings from this hearing and hope that it will be of assistance to you in balancing our fiscal needs with the very real needs of so many of our citizens.

Again, thank you for affording us the opportunity to comment on the budget resolution. We stand ready to assist you and the other authorizing committees with jurisdiction over aging programs during this difficult process.

Sincerely,

John Melcher
Chairman

John Heinz
Ranking Minority Member

cc: Hon. Pete Domenici

Congress of the United States
JOINT ECONOMIC COMMITTEE
(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)
Washington, DC 20510

March 6, 1987

Honorable Lawton Chiles
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I have enclosed a copy of the Joint Economic Committee's analysis of the current services budget, prepared in accordance with the Congressional Budget and Impoundment Control Act of 1974, as amended, (31 U.S.C. 1109(b)), together with a copy of a report by the General Accounting Office on this subject.

With best regards,

Sincerely,

Paul Sarbanes

Paul S. Sarbanes
Chairman

Enclosures

PSS/pm

AN ANALYSIS OF THE CURRENT SERVICES BUDGET CONTAINED IN THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1988

Submitted to

The Senate and House Committees on the Budget

Prepared by the Staff of the

Joint Economic Committee

Congress of the United States

In accordance with the Congressional Budget and

Impoundment Control Act of 1974, as amended (31 U.S.C. 1109(b))

March 4, 1987

AN ANALYSIS OF THE CURRENT SERVICES BUDGET CONTAINED IN THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1988 [1]

The Congressional Budget and Impoundment Control Act of 1974, as amended, requires the President to submit a current services budget to Congress. This budget, published as Special Analysis A, is intended to present the level of outlays and budget authority "for the following fiscal year if programs and activities of the United States Government were carried on during that year at the same level as the current fiscal year without a change in policy." Such benchmark estimates and the corresponding current services receipts estimates are to be accompanied by "the economic and program assumptions on which those budget outlays are based, including inflation, real economic growth, and unemployment rates, program caseloads, and pay increases." The Budget Act also requires the Joint Economic Committee to review the estimated budget outlays and proposed budget authority and submit an evaluation to the Committees on the Budget of both Houses.

Since 1983, the Joint Economic Committee has been concerned that the current services budget has not played the role envisaged because the Office of Management and Budget (OMB) did not appear to be following the intent of the Budget Act. Thus in May 1985 the Committee asked the General Accounting Office (GAO) to conduct a thorough review of the procedures used by OMB in compiling the current services budget. The GAO report (copy enclosed) was released in December 1986.[2]

GAO REPORT

The GAO study found that the original goals of the current services budget remain valid, but it confirmed the Committee's concern that distortions have arisen, especially in the area of defense. The GAO report found that since January 1983 spending increases regularly have been converted into alleged spending reductions or freezes by the utilization of artificially high baselines.

---

[1] All years referred to are fiscal years.

[2] "The President's Current Services Budget," Report to the Chairman, Joint Economic Committee, GAO Report AFMD-87-10, December 2, 1986.

According to the GAO report:

(1) In the last five years, OMB has made "major exceptions to its general current services concept for certain agencies and programs." These exceptions "permit new presidential or congressional initiatives that are not yet, and may never be, enacted into law to affect the estimates."

(2) OMB's use of exceptions to its own guidelines "can result in a current services budget developed to support the President's proposed policies rather than to highlight the fiscal effects of proposed policy changes."

(3) OMB's "use of different policy definitions for different programs lessens the usefulness of the current services budget as a budget tool."

GAO confirmed earlier concerns that the statutory definition of "current services estimates" contained in the Budget Act was not very detailed. Indeed, OMB had addressed this problem shortly after the passage of the Budget Act, developing detailed instructions to the agencies for use in preparing their current services estimates. These instructions resolved many of the ambiguities present in the Act and were incorporated into OMB Circular A-11, "Preparation and Submission of Budget Estimates." In commenting on the recent GAO study, OMB attempted to justify its actions of the last few years, which have weakened the current services budget procedures, by citing the ambiguities in the Act. This claim appears unwarranted, however, because Circular A-11 had earlier resolved these ambiguities and served as the basis for the current services budgets submitted prior to 1983.

DEFENSE BUDGET

The guidelines in OMB's Circular A-11 were followed in developing the current services estimates for defense in the budgets for fiscal years before 1984 (i.e., those submitted prior to January 1983). In January 1983, however, the Administration abandoned these guidelines in the defense area, and since then it has used the current services budget in such a way as to confuse, rather than clarify, the defense budget. For example, it appears that there was a major cutback in the Administration's proposed military buildup between 1983 and 1985 -- from an increase relative to current services of $29.5 billion in 1983, to a cutback relative to current services of $16.3 billion in 1985. This impression is highly erroneous. Proposed budget authority rose by 18 percent over this two year period, but because the current services budget for defense rose even faster, by 41 percent, the large proposed buildup appears to be a sizable cutback. As GAO points out, under the new procedure, OMB "gave the impression it was proposing to cut the Department of Defense - Military (DOD-M) budget." In fact it was advocating sizable increases in military spending (see Table 1).3/

Prior to January 1983, current services estimates for defense were based on the previous year's appropriation level adjusted for inflation only; the estimates did not include real growth. In the 1984 budget, submitted in January 1983, OMB departed from this established procedure, and the current services estimates were the same as the amounts proposed for 1984 by the Administration in the budget submitted in 1982, even though not all of this defense request was enacted by Congress. This baseline included both an adjustment for inflation and an amount for real growth. Similarly, the 1985 current services budget for defense was based on the July 1983 mid-session review of the 1984 budget.

The 1986 current services defense budget, submitted in February 1985, was also based on the previous year's mid-session budget review, adjusted for the "Rose Garden Downpayment Plan."4/ Over the four years from 1986 through 1989, the President's budget called for an average rate of real growth in defense budget authority of 7.7 percent per year, yet the Administration portrayed this as a reduction below the current services baseline totaling $41.3 billion. According to GAO's estimates, based on OMB's methodology prior to January 1983, the Administration was requesting an increase totaling $214.0 billion over the four years. Thus the discrepancy between the baseline estimated by OMB and by GAO was $255.3 billion for four years, an average difference of $63.8 billion per year.

3/ A current services budget was not submitted for 1976. For 1977 and 1978, the current services budget was submitted several months prior to the President's budget, and was based on different economic assumptions, thus it was not readily comparable to the President's budget.

4/ The Rose Garden Downpayment Plan was a March 1984 deficit reduction agreement between the President and Republican Senate leaders to increase taxes and reduce the President's proposed level of military and domestic spending.

TABLE 1

DEPARTMENT OF DEFENSE - MILITARY BUDGET AUTHORITY
(Dollar amounts in billions)

Fiscal Year	Date Budget Issued	Administration Proposal	Current Services Estimate	Apparent Increase or Decrease (-) From Current Services
1979	1/78	$125.6	$123.7	$ 1.9
1980	1/79	135.0	132.1	2.9
1981	1/80	158.2	150.8	7.4
1982	1/81	195.7	187.8	7.8
1983	1/82	257.5	227.9	29.5
1984	1/83	273.4	284.7	-11.3
1985	2/84	305.0	321.3	-16.3
1986	2/85	313.7	324.8	-11.1
1987	2/86	311.6	314.7	- 3.1
1988	1/87	303.3	303.3	0.0

OMB has even discarded DOD estimates based on OMB's own guidelines. For Fiscal Year 1987, the Department of Defense (DOD) calculated a current services baseline for Department of Defense -- military budget authority in accordance with OMB Circular A-11. The DOD baseline adjusted the base year's defense appropriation for inflation, and incorporated the effects of the Gramm-Rudman sequestration on the 1986 budget. It showed that current services defense budget authority for 1987-1991 would be $1,572.6 billion, and that the Administration's request represented an increase of $195.1 billion over this baseline. OMB then rejected the DOD current services estimates, even though they were based on OMB's guidelines, and replaced them with much higher figures, which indicated that the Administration was proposing to reduce DOD budget authority by $45.4 billion over this period.

THE 1988 CURRENT SERVICES BUDGET FOR DEFENSE

This year OMB has resorted to still another approach to the current services budget for defense, arbitrarily setting the current services baseline at the same level as the President's request. It has never done this in the past. OMB thereby alleges that the Administration's proposals represent neither an increase nor a decrease from the current services budget. Further, OMB told the Department of Defense not to prepare current services estimates, in apparent violation of its own Circular A-11. Thus once again the special treatment accorded the defense program has meant that the current services budget has failed to fulfill its intended purpose.

An alternative approach which provides a better estimate of the proposed increase in defense spending is provided by comparing the Congressional Budget Office (CBO) baseline and the CBO reestimate of the Administration's budget. As shown in the Table 2, the CBO analysis indicates that OMB has requested an increase in total defense budget authority of $113.4 billion for the 1988-1992 years, an average of $22.7 billion per year.

TABLE 2

Defense Budget Authority
(Dollar Amounts in Billion)

	OMB Estimates			CBO Estimates		
Fiscal Year	Administration Request	Current Services	Differences	Administration Request	Baseline	Difference
1988	$312.0	$312.0	$0.0	$311.8	$302	$ 9.8
1989	332.4	332.4	0.0	332.0	316	16.0
1990	353.5	353.5	0.0	353.0	330	23.0
1991	375.0	375.0	0.0	374.4	345	29.4
1992	396.9	396.9	0.0	396.2	361	35.2
Total	$1769.8	$1769.8	$0.0	$1767.4	$1654	$113.4

Sources: Office of Management and Budget, Congressional Budget Office.

OTHER ISSUES IN THE 1988 CURRENT SERVICES BUDGET

Two other points deserve mention with regard to the latest current services estimates. First, since the preparation of the budget, the Administration has officially revised its forecast for the growth rate in 1987 (on a calendar year basis) downward from 3.1 percent to 2.7 percent.5/ This change, due to an overly optimistic estimate of growth in the fourth quarter of 1986, means that the estimates of the deficit in both the current services budget and the President's budget are too low.

Second, the current services estimate for the Federal civilian pay raise on January 1, 1988, is 2.0 percent, the same as the President's proposal. In its comments on the GAO report, OMB stated that in the past it has based its current services payroll estimates on the assumption that Federal civilian employees would receive a pay raise equal to the average private-sector pay increase. This approach has been abandoned without explanation this year. The Administration has not explicitly forecast the increase in private-sector pay, but presumably it expects this to be greater than the increase in the cost of living, estimated as 3.6 percent for 1988. The point is that an appropriate baseline would show that the Administration is proposing to reduce Federal civilian pay in 1988 by at least 1.7 percent, not maintain it at current service levels.

5/ A further revision downward to 2.6 percent is likely in light of the February 19 revision in the growth rate of real GNP last quarter. Also, growth in 1986, estimated at 2.7 percent in the budget, is now reported as 2.5 percent.

THE FUTURE OF THE CURRENT SERVICES BUDGET

In their report, GAO concluded that, because of the distortions introduced by OMB, Congress should either amend the Budget Act to tighten up the definition of current services or, alternatively, eliminate the current services budget altogether:

> On the basis of our review results, the Congress should consider eliminating the requirement that the President submit a current services budget.
>
> If the requirement for a current services budget is retained, we recommend that the Congress amend the budget act to specifically define the set of policies to be assumed in developing the current services estimates. While judgment is always required in making budget estimates, the use of a defined set of policies would ensure a common understanding between the Congress and OMB as to what the current services budget represents, making it a more useful budgetary tool.
>
> For the current services budget to best serve the purpose of providing a baseline for highlighting the fiscal effects of policy changes proposed in the President's budget, the policy used to develop it should be the most current policy reflected in law. Current policy needs to be specifically defined at a sufficient level of detail to ensure that OMB provides the type of information that would be useful to the Congress as a baseline.

The Joint Economic Committee finds the GAO report a useful review of the central issues arising with regard to the current services budget, and recommends that it receive careful scrutiny. The Committee believes, however, that there is a third alternative not mentioned explicitly in the conclusion of the GAO study, i.e., adherence in preparing the current services budget to the procedures set forth in Circular A-11, which remains in force although it has been disregarded in the defense area by OMB since 1983. A current services budget consistent with the A-11 guidelines would provide a better framework for analyzing the President's budget proposals. The resulting estimates would be more in compliance with the intent of the Budget Act.

COMMITTEE VOTES

Votes taken during Committee consideration of the concurrent resolution on the budget were as follows:

APRIL 1, 1987

(1) By voice vote the Committee adopted the Chairman's motion to begin consideration with the Chairman's mark as original text for purposes of amendment and that no amendment be in order that would have the effect of increasing the deficit. The motion provided that if an amendment would increase spending or reduce revenues relative to the plan under consideration, the amendment would also have to cut spending or increase revenues in at least an equal amount year-by-year. Furthermore, an amendment could not rely on offsetting spending cuts or revenue increases that are not real and lasting; no asset sales or like proposals that do not reduce the demand for credit.

(2) EXON motion to amend the Chairman's mark so as to freeze current defense (function 050) levels, allowing only for inflation. The proposed changes to the Chairman's mark were as follows:

[In billions of dollars]

Function		1988	1989	1990	1991
050: National Defense	BA	13,700	18,500	25,700	32,500
	O	9,500	13,700	19,400	25,100
Revenues		−9,500	−13,700	−19,400	−25,100

Motion not agreed to: 4 Yeas 20 Nays

Yeas:	Hollings	Nays:	Chiles
	Exon		Johnston
	Kassebaum		Sasser
	Rudman		Riegle
			Lautenberg
			Simon
			Sanford
			Wirth
			Fowler
			Conrad
			Dodd
			Domenici
			Armstrong
			Boschwitz
			Symms
			Grassley
			Kasten
			Quayle
			Danforth
			Nickles

(3) SIMON motion to amend the Chairman's mark so as to increase functions 150, 350, 450, 500, 570, and 600. The Simon motion included proposed revenues that would pay for the increased spending and that would provide deficit reduction in FY 1988 of $7.2 billion. The total increases in function levels and revenues were as follows:

[In billions of dollars]

Function		1988	1989	1990	1991
150: International Affairs	BA	500	400	300	400
	O	300	300	300	300
350: Agriculture	BA	500	500	500	500
	O	500	500	500	500
450: Community and Regional Development	BA	800	800	800	800
	O	....	300	700	800
500: Education, Training, Employment, and Social Services	BA	1,200	1,200	1,200	1,200
	O	200	1,200	1,200	1,200
570: Medicare	BA	....	−100	−300	−400
	O	1,000	1,100	1,300	1,400
600: Income Security	BA	....	−100	−100	−100
	O	700	700	600	600
Revenues		−10,000	−10,000	−10,000	−10,000

Motion not agreed to: 5 Yeas 19 Nays

Yeas:
Hollings
Johnston
Simon
Conrad
Boschwitz

Nays:
Chiles
Sasser
Riegle
Exon
Lautenberg
Sanford
Wirth
Fowler
Dodd
Domenici
Armstrong
Kassebaum
Symms
Grassley
Kasten
Quayle
Danforth
Nickles
Rudman

(4) SIMON motion to amend the Chairman's mark so as to increase functions 150, 350, 450, 500, 570, and 600. The Simon motion included proposed revenues which would pay for the proposed increased spending.

[In billions of dollars]

Function		1988	1989	1990	1991
150: International Affairs	BA	500	400	300	400
	O	300	300	300	300
350: Agriculture	BA	500	500	500	500
	O	500	500	500	500
450: Community and Regional Development	BA	800	800	800	800
	O	....	300	700	800
500: Education, Training, Employment, and Social Services	BA	1,200	1,200	1,200	1,200
	O	200	1,200	1,200	1,200
570: Medicare	BA	....	−100	−300	−400
	O	1,000	1,100	1,300	1,400
600: Income Security	BA	....	−100	−100	−100
	O	700	700	600	600
Revenues	−2,700	−4,100	−4,600	−4,800	

Motion not agreed to: 8 Yeas 15 Nays

Yeas:		Nays:		Not voting:	
	Hollings		Chiles		Quayle
	Johnston		Exon		
	Sasser		Lautenberg		
	Riegle		Sanford		
	Simon		Wirth		
	Conrad		Fowler		
	Kassebaum		Dodd		
	Boschwitz		Domenici		
			Armstrong		
			Symms		
			Grassley		
			Kasten		
			Danforth		
			Nickles		
			Rudman		

(5) HOLLINGS motion to amend the Chairman's mark so as to increase out-year budget authority in education (function 500). The amendment would have increased revenues to offset the function 500 increases. The total changes in the proposed amendment were as follows:

[In billions of dollars]

Function		1988	1989	1990	1991
500: Education, Training, Employment, and Social Services...	BA	900	1,500	1,600	2,200
	O	....	1,300	1,600	1,700
Revenues...		....	−1,300	−1,600	−1,700

Motion not agreed to: 9 Yeas 15 Nays

Yeas:
Hollings
Johnston
Sasser
Riegle
Simon
Sanford
Dodd
Boschwitz
Danforth

Nays:
Chiles
Exon
Lautenberg
Wirth
Fowler
Conrad
Domenici
Armstrong
Kassebaum
Symms
Grassley
Kasten
Quayle
Nickles
Rudman

70-422 0 - 87 -- 24

(6) WIRTH motion to amend the Chairman's mark so as to increase Coast Guard user fees (function 400), and decreasing meat and poultry user fees (function 550) and grazing fees (function 300). The totals for the functions were as follows:

[In billions of dollars]

Function		1988	1989	1990	1991
300: Natural Resources and Environment	BA	8	11	11	11
	O	8	11	11	11
400: Transportation	BA	−191	−194	−195.5	−195.5
	O	−191	−194	−195.5	−195.5
550: Health	BA	183	183	184.5	184.5
	O	183	183	184.5	184.5

Motion agreed to: 14 Yeas 9 Nays

Yeas:	Nays:	Not voting:
Exon	Chiles	Johnston
Wirth	Hollings	
Fowler	Sasser	
Conrad	Riegle	
Domenici	Lautenberg	
Armstrong	Simon	
Kassebaum	Sanford	
Boschwitz	Dodd	
Symms	Rudman	
Grassley		
Kasten		
Quayle		
Danforth		
Nickles		

(7) CONRAD motion to amend the Chairman's mark so as to increase Coast Guard user fees (function 400), and decrease REA user fees (function 270). The totals for the functions were as follows:

[In billions of dollars]

Function		1988	1989	1990	1991
270: Energy	BA	75	72	70	69
	O	75	72	70	69
400: Transportation	BA	−75	−72	−70	−69
	O	−75	−72	−70	−69

Motion agreed to: 16 Yeas 7 Nays

Yeas:		Nays:		Not voting:	
	Sasser Exon Simon Sanford Wirth Conrad Domenici Armstrong Kassebaum Boschwitz Symms Grassley Kasten Quayle Danforth Nickles		Chiles Hollings Riegle Lautenberg Dodd Fowler Rudman		Johnston

(8) HOLLINGS motion to amend the Chairman's mark so as to substitute Senator Hollings' budget plan.

Motion not agreed to: 7 Yeas 15 Nays

Yeas:
Hollings
Simon
Sanford
Conrad
Dodd
Boschwitz
Danforth

Nays:
Chiles
Sasser
Riegle
Exon
Lautenberg
Wirth
Fowler
Domenici
Armstrong
Kassebaum
Symms
Grassley
Kasten
Nickles
Rudman

Not voting:
Quayle
Johnston

(9) NICKLES motion to amend the Chairman's mark so as to increase function 270 (energy) through the implementation of a user fee for the purpose of filling the Strategic Petroleum Reserve. The increased function level, revenues, and deficit reduction were as follows:

[In billions of dollars]

Function		1988	1989	1990	1991
270: Energy	BA	470	453	451	470
	O	159	187	203	211
Revenues		−619	−630	−641	−672

Motion not agreed to: 8 Yeas 12 Nays

Yeas:
Chiles
Hollings
Wirth
Fowler
Conrad
Domenici
Boschwitz
Nickles

Nays:
Sasser
Riegle
Exon
Lautenberg
Sanford
Dodd
Armstrong
Kassebaum
Grassley
Kasten
Danforth
Rudman

Not voting:
Johnston
Simon
Symms
Quayle

(10) EXON motion to amend the Chairman's mark so as to increase spending levels in function 350 (agriculture). The motion included proposed revenues to offset the increased levels. The total changes to function 350, and revenues were as follows:

[In billions of dollars]

Functions		1988	1989	1990	1991
350: Agriculture	BA	300	500	5,000	5,100
	O	700	500	1,800	1,200
Revenues		–700	–500	–1,800	1,200

Motion not agreed to: 8 Yeas 12 Nays

Yeas:	Nays:	Not voting:
Hollings	Chiles	Johnston
Sasser	Riegle	Simon
Exon	Lautenberg	Symms
Sanford	Wirth	Quayle
Fowler	Dodd	
Conrad	Domenici	
Boschwitz	Armstrong	
Grassley	Kassebaum	
	Kasten	
	Danforth	
	Nickles	
	Rudman	

(11) By unanimous consent the Committee adopted the GRASSLEY motion requiring the Director of the Congressional Budget Office to examine the assumptions upon which the concurrent resolution adopted by Congress are based, and to include an analysis of those assumptions in CBO's annual report to Congress.

(12) By unanimous consent the Committee adopted the economic and technical assumptions of CBO.

(13) Motion to adopt the CHAIRMAN'S budget plan.

Motion not agreed to: 12 Yeas 12 Nays

Yeas: Chiles
Johnston
Sasser
Riegle
Exon
Lautenberg
Simon
Sanford
Wirth
Fowler
Conrad
Dodd

Nays: Hollings
Domenici
Armstrong
Kassebaum
Boschwitz
Symms
Grassley
Kasten
Quayle
Danforth
Nickles
Rudman

APRIL 8, 1987

(14) By voice vote the Committee did not adopt the ARMSTRONG motion to require that the OMB economic and technical assumptions be placed in the Committee report, but not appear in any resolution reported by the Committee.

(15) CHAIRMAN'S motion that the Committee report the Chairman's revised mark with a recommendation that it do pass and that the Committee report the following, without recommendation: (1) the budget proposal submitted by the President as reestimated by CBO; (2) a budget reflecting a hypothetical sequestration based on CBO economic and technical analysis; (3) the Hollings budget proposal; and (4) the Conrad amendment pertaining to tax amnesty.

Motion agreed to: 13 Yeas 11 Nays

Yeas:
Chiles
Hollings
Johnston
Sasser
Riegle
Exon
Lautenberg
Simon
Sanford
Wirth
Fowler
Conrad
Dodd

Nays:
Domenici
Armstrong
Kassebaum
Boschwitz
Symms
Grassley
Kasten
Quayle
Danforth
Nickles
Rudman

(16) By unanimous consent the Committee agreed: to give staff the authority to calculate necessary credit numbers for function aggregates; to give Committee staff the authority to insert figures arrived at by the Committee for the resolution and reconciliation into the resolution at the appropriate places; to give staff the authority to make technical and clerical corrections; and that the Committee have 72 hours within which to file supplemental and minority views.

ADDITIONAL VIEWS OF SENATOR ERNEST F. HOLLINGS

THE HOLLINGS BALANCED BUDGET PLAN

Congress faces a fundamental choice as it drafts the 1988 Federal budget: will it repeat the continuing charade of phony spending and economic assumptions or will it opt for realism and revenues? It is time—at long last—to stop the posturing and start telling the truth about taxes.

Unfortunately, the President and some of our colleagues continue to insist that we can grow our way out of triple-digit deficits—without pain, without draconian budget cuts, and, incredibly, without new taxes. This is nonsense. Since President Reagan assumed office, Federal spending has increased over $430 billion; at the same time, revenues lost to the Treasury—by the 1981 tax cut offset by recent tax increases such as TEFRA—have been about $800 billion. The net of spending increases and lost revenue are roughly $1.250 trillion. Meanwhile, deficit spending has added over $1.3 trillion to the national debt. It takes no genius to see that supply-side wishful thinking has brought our economy to its knees. Six years after the catastrophic tax loss of 1981—when the national debt stood at the nostalgic level of $1.0 trillion—half today's level—we still await the Reagan miracle promising a full and robust economy.

Revenues are the indispensable key to real deficit reduction as well as reduction in the debt itself. We know that revenues must be a key component of the deficit reduction task that lies before us, but most are afraid to make the first move. This is the opposite of leadership. President Reagan loves deficit spending more than any President who has occupied the office. He has used it as the gimmick to dismantle government and to thwart critical national priorities such as education, health, and programs for the poor. Yet, he has created a spending binge of his own for: (1) entitlements—now 48 percent of the budget; (2) national defense—now 27 percent of the budget; and (3) interest—now 13 percent of the budget. Meanwhile, all the domestic programs—education, health, law enforcement, housing, highways, etc., consume only 18 percent of the budget compared to 26 percent when the President took office. Out of a trillion dollar budget, the President found only $30 billion in spending savings. Still, he insists, that there be no taxes and that the Congress meet the $108 billion deficit target that his own budget exceeds by over $26 billion.

When it comes to taxes, politics is all persuasive, and Democrats sit immobilized by the threat of Republicans bludgeoning them with the tax-axe in 1988. We should all reject such thinking. Our duty is to pass a responsible budget—with a credible balance of spending cuts and revenue increases—that offers real budget reduction and gets the deficit down to $108 billion in 1988. It is the Congressional Budget Resolution—it does not require Presidential signature. We should pass tax legislation as part of an overall budget plan to reach the deficit target that the President has endorsed. When it is sent to the White House, let the President veto it and expose himself as the budget buster, the big spender, the one who sabotaged the 1988 budget.

We can meet our obligations. The $108 billion target is a realistic goal and it is politically achievable. If we cannot do legitimate deficit reduction now, it will be virtually impossible to do it next year.

I offered a balanced budget plan in Committee that received bipartisan support. As a means of getting any Budget Resolution to the Senate floor, the Committee decided to report four budget plans: two of them achieve the $108 billion deficit target required by law—*the Hollings budget plan and a plan based on the sequester requirements* of the 1985 Balanced Budget Act; the other two fail to reach the deficit target—*the Chairman's plan* that is $25.7 billion over the target and *the President's budget* that is $26.4 billion over the target. Before describing the details of the Hollings balanced budget plan, here are the significant problems embodied in the Chairman's and President's budget plans.

PROBLEMS WITH CHAIRMAN'S AND PRESIDENT'S BUDGET PLANS

The Chairman's Budget Resolution should be rejected by the Senate because it provides for a deficit of $133.7 billion when the *law* requires a deficit of $108 billion—a breach of the target by $25.7 billion. Further, it does not lead to a budget surplus or to a reduction in the national debt which must be the primary objectives of the congressional budget process. It provides for excessive cuts and unacceptable funding levels for our national security. It is not the "truth-in-budgeting resolution" as advertised by its supporters, but one of "smoke and mirrors" and a blueprint for the Congress to abandon fiscal responsibility. The Senate should repudiate it because: (1) it waives the FY 1988 deficit target of $108 billion; (2) it disobeys the law; and (3) after raising taxes, it will not put a dent in the deficit—there will still be a deficit of $170 billion in FY 1988.

Although the supporters of the Chairman's Budget Resolution assert that it meets the $108 billion deficit target when using OMB assumptions as the President's budget does, it is very unlikely that either the President or the Chairman would meet the target under these assumptions. The President's budget is over the target by $26.4 billion. No one seriously believes in it for several reasons: (1) the economic projections of 3.5 percent real growth in the President's budget are overly optimistic compared to CBO's projection of 3 percent real growth; (2) CBO's estimated spending for Medicare, Medicaid, and Income Security assumes a continuation of recent growth rates, and exceeds the administration by *$8.3 billion*; (3) the President's budget does not provide for advance deficiency payments beginning with the 1988 crops—an unrealistic savings of *$4.5 billion*; (4) the President's budget would cap Federal Medicaid payments to States at *$1.0 billion* below estimated current law spending. It was assumptions precisely of this nature—adopted last June—that have made the $108 billion target much harder to achieve. The savings were unrealistic then, as they are now, and they would make it that much harder to reach the target of $72 billion in FY 1989 if they are used in calculating a phony $108 billion deficit in FY 1988.

There are two other serious problems with the Chairman's plan:

(1) It reduces spending for national defense by $22.8 billion in budget authority and $14.7 billion in outlays from the amounts requested in the President's budget. However, this cut in budget authority is considerably underestimated in the Resolution. The eventual budget authority appropriated by the Congress under the Resolution's outlay assumption will be between $30 billion to $35 billion below the requested level—or $8 billion to $13 billion below the level in the Resolution. This will occur because the ratio of budget authority cuts to outlay cuts specified in the Resolution can only be achieved if readiness and personnel accounts are slashed significantly. It would be a ridiculous policy to focus such large reductions on these areas. Further, a cut of $35 billion would seriously undermine attempts to address the priorities of selective strategic force modernization and across-the-board conventional improvements.

The Hollings budget plan provides for $13.7 billion more in budget authority and $9.9 billion more in outlays for national defense in FY 1988 than the Chairman's Resolution. The Hollings 4-year increases in national defense over the Chairman's Resolution are $112.6 billion in budget authority and $90.9 billion in outlays. Details are provided in the description of the Hollings plan later in these remarks; and

(2) For education programs, based upon the latest available data, the Chairman's resolution provides for a $345 million reduction in spending from the CBO baseline in FY 1988—$145 million due to a freeze and $200 million due to unspecified programmatic reductions. Although the Chairman's resolution also provides for some increases in education, the reductions are not warranted in such a critical area.

The Hollings budget plan provides for $900 million more in budget authority and $100 million more in outlays for education in FY 1988 than the Chairman's Resolution. The Hollings 4-year increases in education over the Chairman's Resolution are $7.5 billion in budget authority and $4.9 billion in outlays. Details of the Hollings education proposal are provided in the following description of the Hollings plan.

THE HOLLINGS BALANCED BUDGET PLAN

The balanced budget plan I offered in Committee and as ordered reported contains the following key elements:

HOLLINGS BUDGET PROPOSAL—4-YEAR PLAN

[In billions of dollars]

	1988	1989	1990	1991	Cumulative 1988–92
CBO BASELINE DEFICIT	170.7	164.3	136.7	109.5	
SPENDING CHANGES (Outlays):					
(1) Defense	+3.0	+2.5	+1.1	+0.5	+7.1
(2) Non-defense initiatives	+0.4	+2.2	+3.4	+3.9	+9.9
(3) Non-defense	−15.6	−17.3	−19.6	−19.8	−72.3
(4) Medicare Re-basing	−3.3	−3.8	−4.9	−6.0	−18.0
(5) Catastrophic Health—$1000 deductible		+3.7	+5.9	+6.7	+16.3
(6) Asset Sales/REA Refinancing	−11.4	−3.2	−2.1	−1.7	−18.4
(7) Interest	−2.1	−7.2	−14.4	−21.7	−45.4
Total reductions	−29.0	−23.1	−30.6	−38.1	−120.8
REVENUES:					
(1) President's Proposals	5.0	7.1	7.7	8.0	27.8
(2) Other revenues	28.7	26.6	21.1	21.9	98.3
(a) Extend telephone tax	1.3	2.3	2.5	2.7	8.7
(b) Oil import fee ($10 barrel)	14.8	9.5	8.7	9.9	42.9
(c) Restrict expense deductions	1.3	2.4	2.8	3.2	9.8
(d) Retain top corporate rate at 40 percent—1988	8.2	5.5			13.7
(e) Increase percent contract completion cost method	1.7	2.0	1.4	0.6	5.7
(f) Other base broadening/excise	1.4	4.9	5.7	5.5	17.5
Total revenue change	33.7	33.7	28.8	29.9	126.1
VAT TAX PROPOSAL:					
(1) 10 percent VAT tax, lower base		82.0	119.5	123.1	324.6
(2) Eliminate Medicare tax—reduce from 1.45 percent to 0.45 percent in FY 1989; zero in FY 1990		+28.9	+56.1	+66.8	+151.8
Total VAT tax proposal		53.1	63.4	56.3	172.8
Total deficit change	−62.7	−109.9	−122.8	−124.3	419.7
REMAINING DEFICIT/SURPLUS	−108.0	−54.4	−13.9	+14.8	

Note.—Details may not add to totals due to rounding.

HOLLINGS BUDGET PROPOSAL

Summary of Funding Levels by Year

[In billions of dollars]

Function		1988	1989	1990	1991
050: National Defense	BA	302.7	316.3	330.6	345.8
	O	293.5	305.9	318.2	332.8
150: International Affairs	BA	15.6	20.7	16.6	16.0
	O	15.7	14.6	13.8	12.0
250: General Science, Space & Technology	BA	10.9	12.1	13.6	14.2
	O	10.9	12.2	13.5	14.1
270: Energy	BA	3.5	3.8	3.9	3.9
	O	−2.8	3.9	3.9	3.4
300: Natural Resources	BA	16.0	16.9	17.7	18.0
	O	15.1	16.4	17.9	18.2
350: Agriculture	BA	29.2	31.5	27.0	23.5
	O	28.4	27.7	23.8	21.6
370: Commerce & Housing Credit	BA	12.8	12.9	16.2	13.7
	O	7.6	5.3	7.6	5.6
400: Transportation	BA	28.6	29.3	30.3	31.3
	O	28.0	28.3	28.9	29.7
450: Community and Regional Development	BA	6.5	6.7	6.8	6.8
	O	6.6	6.0	5.8	5.8
500: Education, Training, Employment & Social Services	BA	36.0	37.9	39.4	41.0
	O	32.8	36.3	38.2	39.8
550: Health	BA	43.9	47.7	51.9	56.1
	O	43.8	47.5	51.4	55.6
570: Medicare	BA	93.5	107.5	121.3	133.7
	O	79.9	92.6	105.5	117.8
600: Income Security	BA	166.8	174.7	181.1	215.2
	O	129.2	136.3	141.7	150.7
650: Social Security	BA	256.8	281.7	310.9	339.3
	O	219.0	233.1	249.6	267.4
700: Veterans Benefits	BA	27.4	27.7	28.0	28.4
	O	27.0	27.2	27.6	28.0
750: Administration of Justice	BA	9.4	9.5	9.7	9.9

Summary of Funding Levels by Year—Continued

[In billions of dollars]

Function		1988	1989	1990	1991
	O	9.1	9.5	9.7	9.8
800: General Government	BA	6.8	6.8	6.9	7.0
	O	6.4	6.3	6.4	6.6
850: General Purpose Fiscal Assistance	BA	1.6	1.7	1.7	1.8
	O	1.6	1.7	1.7	1.8
900: Net Interest	BA	138.3	139.5	137.0	133.2
	O	138.3	139.5	137.0	133.2
920: Allowances	BA	−2.5	−1.6	1.1	4.7
	O	−5.6	−4.3	−1.2	3.2
950: Undistributed Offsetting Receipts	BA	−42.3	−42.7	−44.0	−46.7
	O	−42.3	−42.7	−44.0	−46.7
Total Spending	BA	1,161.5	1,240.6	1,307.7	1,396.8
	O	1,042.2	1,103.2	1,157.1	1,210.3
Revenues		934.2	1,048.8	1,143.2	1,225.1
Deficit/Surplus		−108.0	−54.4	−13.9	+14.8

Note.—Details may not add to totals due to rounding.

The plan meets all deficit targets of the Gramm-Rudman-Hollings law for each year of the 1988–91 period, including providing for a budget surplus of $14.8 billion in 1991. It calls for $29 billion in spending reductions and $33.7 billion in revenues in FY 1988. But there is *no* increase proposed in individual income taxes. Over the 1988–91 period, there is total deficit reduction of $419.7 billion. The projected deficit/surplus for each year is: FY 1988 *$108 billion* deficit; FY 1989 *$54.4 billion* deficit; FY 1990 *$13.9 billion* deficit; and FY 1991 *$14.8 billion* surplus.

On the spending side, the major components of the plan are:

(1) For national defense, the plan provides for budget increases each year equal to the rate of inflation. It is essential that manpower and readiness requirements and Reserve/National Guard improvements as well as most of the stragetic and conventional force improvements be funded as recommended by the President. Any funding level less than the rate of inflation would seriously imperil all of these efforts. For 1988, the plan provides for $302.7 billion in budget authority—an increase over 1987 of $13.1 billion—and $293.5 billion in outlays—an increase of $14.0 billion over 1987. These totals require a $9.1 billion cut in budget authority and $4.8 billion cut in outlays from the President's budget request. These reductions are in sharp contrast to the probable $30 billion to $35 bil-

lion cut in budget authority and $14.7 billion cut in outlays recommended in the Chairman's plan for national defense.

(2) The plan emphasizes the critical needs of education, science, and technology, as well as the needs of the less fortunate in our society. In FY 1988, it includes increases in budget authority of more than $2.0 billion above the CBO baseline—more than $6.5 billion above the President's request—for these activities. Over the 1988 to 1991 period, these initiatives total $13 billion in budget authority above the CBO baseline. In addition to funding all education programs at the current services level, the plan provides an extra $900 million to the CBO baseline in budget authority for elementary and secondary programs—primarily for Chapter 1—and an extra $800 million to the CBO baseline in budget authority for higher education—primarily in Pell Grants and college work study funds. In addition, it provides full inflation protection for all means-tested programs.

(3) The plan assumes re-basing of the Medicare program—recalculating Medicare's prospective payment rates using more recent data. This will save $3.3 billion in FY 1988 and $18 billion over the FY 1988–91 period.

(4) The plan provides for savings of $15.6 billion in FY 1988 in other domestic programs and a total of $72.3 billion over the 1988–91 period. These reductions are based principally on a budget freeze in many of the functions with deeper cuts in several functions based upon program priorities. These include reductions in such areas as: foreign aid and the EX-IM Bank, energy R&D, forest service roads, farm price support initiatives, transit operating assistance programs, the Pension Benefit Guaranty Corporation, legislative branch operations, government travel, and the Federal work force (by attrition only).

(5) The plan assumes most of the loan asset sales recommended by the President—$4.1 billion—along with refinancing of $7.3 billion in REA loans.

The revenues assumed—for illustrative purposes—in the budget plan can be divided into two segments. The first deals with excise and base broadening taxes and changes to the 1986 Tax Act. These provide for $33.7 billion in revenues in 1988 and $126.1 billion over the 1988–91 period. The second deals with a value added tax (VAT) that is incorporated in the plan that would be effective January 1, 1989. The VAT, along with offsets created by the plan's proposal to eliminate the Medicare tax of 1.45 percent and to fund a new catastrophic health program, will provide for total revenues of $53.1 billion in FY 1988 and $172.8 billion over the 1989–91 period.

The revenues assumed in the plan are as follows:

(1) $5.0 billion as proposed by President Reagan in FY 1988 and $27.9 billion from FY 1988 through FY 1991.

(2) An oil import fee of $10 per barrel—producing $14.8 billion in revenues in FY 1988 and $42.9 billion from FY 1988 through FY 1991.

(3) Extension of the telephone tax—providing $1.3 billion in revenues in FY 1988 and $8.7 billion from FY 1988 through FY 1991.

(4) A reduction of business expense deductions from the current 80 percent to 50 percent—producing $1.3 billion in FY 1988 and $9.8 billion in FY 1988 through FY 1991.

(5) Retention of the top corporate rate at 40 percent in 1988—saving $8.2 billion in 1988 and $5.5 billion in FY 1989 for a savings of $13.7 billion over the 2 years.

(6) An increase in the percentage of the contract completion cost method—saving $1.7 billion in FY 1988 and $5.7 billion from FY 1988 through FY 1991.

(7) Other revenues of $1.4 billion in FY 1988 and $17.5 billion over FY 1988-91 that could be derived from excise taxes such as fuel taxes or extension of social security taxes to all public employees.

Regarding the VAT, we should ignore the inevitable hue and cry to the effect that this is a regressive tax—that it will do irreparable harm to our economy. Nonsense. Essentially all of our European allies and many Asian nations have a VAT. So crippled are their economies that they are competing us into the ground. The following table provides a listing of VAT levels imposed by many European nations.

VAT TAX IN OTHER COUNTRIES

	Percent
Austria	18
Belgium	19
Denmark	22
France	18.6
Ireland	23
Italy	18
Luxembourg	12
Netherlands	19
Norway	11
Sweden	19
United Kingdom	15
West Germany	14

These are standard rates for most goods. Lower rates may be on food, farm stuffs and medical items; higher rates on luxuries.

Source: IMF (1985 data).

Note.—Japan does not have a VAT now, but is planning for a 5-percent tax in 1988.

The VAT proposed in the plan would exempt food, health care, and housing. This will largely mitigate the impact of the VAT on low-income individuals as well as those on a fixed income. It would also have the salutary side effect of breaking the runaway consumption spending that is fueling our trade deficits. The VAT proposal in the plan includes a requirement that the Medicare portion of the Social Security tax—the 1.45 percent that is paid for the hospital portion of Medicare—be eliminated in two phases: (1) reduce the 1.45 percent to 0.45 percent in 1989 and (2) completely eliminate it in 1990. This phase-out would cover the employee's payment as well as the employer's payment of the tax.

Additionally, the plan proposes that the revenues from the VAT be used to pay for a national catastrophic health plan. The President has proposed such a plan, and many in Congress have embraced the concept. The plan proposes to set an average deductible of $1,000—scaled according to income as worked out by the Finance Committee.

In 1989, the first year of the tax, revenues will be $82 billion. The offsets for the Medicare tax would be about $28.9 billion. Thus, the total impact of the VAT would be $53.1 billion. Through 1991, the overall gain in revenues resulting from the VAT proposal would be $172.8 billion.

It should be made clear: the VAT is not a tax to finance new programs. All VAT revenues should be earmarked strictly for reduction of the deficit and, eventually, retirement of the debt.

One criticism voiced in the Budget Committee against the Hollings plan was that the economy could not take the jolt of a large-scale deficit reduction plan without drastically slowing down or ending economic growth. However, some past Budget Resolutions have provided for significantly larger or similar deficit reduction efforts. A comparison of the Hollings plan with the FY 1983 Resolution reported by the Republican majority is noteworthy. The 3-year budget plan envisioned in the FY 1983 Budget Resolution called for $415.9 billion in deficit reduction—including $75.9 billion in FY 1983. This plan includes $95 billion in new revenues. In comparison, the Hollings plan proposes $292.9 billion in deficit reduction for its first 3 years—about 70 percent of that envisioned in the FY 1983 Resolution. And, the Hollings plan has $62.7 billion in first year reductions compared to the proposed 1983 level of $75.9 billion.

Further, the reductions in the Hollings plan are 1.3 percent of GNP in FY 1988 and 1.9 percent of GNP over the 3-year period. The reductions in the proposed FY 1983 Budget Resolution are essentially double that of the Hollings plan—2.2 percent in 1983 and 3.7 percent over the 3-year period. The following table provides the detailed reductions of the Hollings plan and the FY 1983 Budget Resolution as reported.

Deficit Reduction Proposals

[In billions of dollars]

	1983	1984	1985	Cumulative
(1) FY 1983 RESOLUTION AS REPORTED				
CBO baseline deficit	182.0	216.0	232.5	
Deficit reduction:				
Revenues	20.0	35.0	40.0	95.0
User fees	−2.0	−2.0	−2.0	−6.0
Spending savings	−53.9	−110.0	−151.0	−314.9
Total reduction	−75.9	−147.0	−193.0	−415.9
Remaining deficit	106.1	69.0	39.5	
Actual deficit	207.8	185.3	212.3	
GNP projection	3,397.5	3,778.5	4,162.9	

	1988	1989	1990	Cumulative
(2) HOLLINGS FY 1988 PROPOSAL				
CBO baseline deficit	170.7	164.3	136.7	
Deficit reduction:				
Revenues	33.7	86.8	92.2	212.7
Spending and other	−29.0	−23.1	−30.6	−82.7
Total reduction	−62.7	−109.9	−122.8	−295.4
Remaining deficit	108.0	54.4	13.9	
GNP projection	4,779.0	5,124.0	5,503.0	
(3) PERCENT REDUCTION OF GNP				
FY 1983 Resolution	2.2	3.9	4.6	3.7
Hollings 1988	1.3	2.1	2.2	1.9

Note.—Details may not add to totals due to rounding.

The budget realities are these: among reasonable people, there is a solid consensus that defense spending must keep pace with inflation. The same is true for Social Security and basic programs to aid needy citizens. The bills must be paid. And that means not just greater discipline on the spending side, but adjustments on the revenue side as well.

The best hope is to stick to the Gramm-Rudman-Hollings deficit reduction targets. This requires no more bogus budgets but an honest, intelligent mix of spending discipline and tax increases. The objective of Gramm-Rudman-Hollings is not to dismantle government. Gramm-Rudman-Hollings simply says: decide what government you need, and be willing to pay for it.

Ernest F. Hollings.

ADDITIONAL VIEWS OF SENATOR JIM SASSER

I think that the exercise we have engaged in here is indicative of the extreme difficulties encountered in reaching a consensus on a fiscal blueprint for the upcoming fiscal year. Indeed, the job of the Chairman is not an enviable one, and he must be applauded for his diligence and persistence in seeking to report a budget out of the Committee which is both effective in its deficit reduction effort, and timely with regard to the mandated April 1 deadline.

To the uninitiated, this Budget Resolution may appear confusing. Indeed, it consists of not one but four different budget resolutions. Three of these resolutions were reported without recommendation, thus indicating that there was no clear consensus within the Committee for support for either of them. What must not be lost in the confusion, however, is the fact that the Chiles budget is the only budget which could garner enough support to muster a majority of votes in the Committee. Thus, it is this budget which must serve as the principal vehicle for amendment when the budget is debated on the Senate floor.

The Chairman's budget is not perfect. Indeed, there is enough pain distributed throughout to please no one. If I were devising a budget I would do certain things differently. But the Chiles budget plan is the essence of compromise, and it is compromise which must govern our efforts in these times of budgetary constraint.

Further, when compared to the President's budget, the Chiles budget is far more effective in dealing with the structural budget deficit. Over 4 years, the Chiles budget fulfills the technical requirements of the Gramm-Rudman-Hollings balanced budget mandate. The President's budget still leaves us with a $36 billion deficit in 1991, according to the Congressional Budget Office.

If one were to use the economic assumptions of the Office of Management and Budget, the Chiles budget would actually yield a budget surplus of more than $21 billion by 1991, while the President's budget would still show a $21.3 billion deficit.

The President's budget called for more than $22.4 billion in revenue increases in FY 1988. The Chiles budget calls for $18.5 billion in revenue increases in FY 1988.

The President's budget talks about improving our competitive stature in the world marketplace, yet at the same time calls for substantial reductions in funding for education programs. The Chiles budget allows for significant increases in the areas of education funding, and funding for science and technology. Both of these areas of the budget will play increasingly crucial roles in improving the Nation's competitive position in the world marketplace.

On balance, the Chiles budget more clearly dileneates the policy priorities which will better serve this Nation over the next 4 years: Without sacrificing defense spending, without decimating further the domestic spending needs of the Nation, and without needlessly increasing individual income taxes.

The President's budget falls woefully short in addressing the priorities and needs of the Nation. Foremost of these needs is the need to effectively reduce the budget deficit. By its own admission and by its own economic assumptions, the President's budget fails to comply with the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act of 1985, either in spirit or in the letter of the law. The Chiles budget does comport with the spirit of Gramm-Rudman-Hollings and for this reason I support it.

JIM SASSER.

ADDITIONAL VIEWS OF SENATOR DONALD W. RIEGLE, JR.

I believe the future strength of our national economy depends on steadily reducing massive Federal deficits. The Chairman is to be commended for putting together a budget package that takes a tough but balanced approach to making real progress toward deficit reduction and does so without resorting to unrealistic one-time asset sales that do nothing to help the economy in the long run.

The Committee budget is notable for its emphasis on strengthening programs that will help improve our national competitiveness. We need to give priority to education, science and technology, job training and trade promotion in order to bring down our trade deficit and improve the overall strength of the U.S. economy now and in the future. At the same time, the budget accommodates new intiatives that are needed to address critical national problems including catastrophic health insurance, infant mortality and welfare reform.

This budget contains some specific proposals which I do not support. I am particularly concerned about the 25 percent cut in the CDBG program and the 10 percent cut in UDAG. I appreciate the Chairman's willingness to reduce the cuts included in his first mark, but I feel that the adjustments do not go far enough to protect these vital programs. Both CDBG and UDAG have been cut by more than their share in the past. UDAG has been reduced by 66 percent and CDBG has been reduced by over 20 percent since 1980. At the same time, demands on both programs have increased. The Senate recently demonstrated its strong support for these programs when we voted to pass, by a vote of 71–27, a housing bill that reauthorizes both programs at their 1987 appropriations levels. I will work to keep CDBG and UDAG fully funded.

I am also concerned about a number of other assumptions in this budget. This resolution proposes a $3.3 billion reduction in Medicare funding to be achieved through rebasing or other means. It also assumes reductions in funding for mass transit and highway programs and for Federal civilian employees. I question the wisdom of these proposals and will follow these issues closely as the budget process continues.

Even though the Committee report mentions the possibility of achieving savings in function 150 through reductions in the Export-Import Bank loan program, it is my understanding that the reductions can be accommodated without reducing this program.

The Federal deficit is having a profound impact on our economy. The Chairman's plan takes the kind of bold, responsible action that is needed to make real reductions in the deficit, ecouraging real economic growth while restoring a balance to our Federal spending priorities. As this plan takes shape on the floor and in conference with the House, I am confident that together was can develop a plan that is equitable yet makes a substantial contribution toward deficit reduction.

DONALD W. RIEGLE, Jr.

ADDITIONAL VIEWS OF SENATOR J. JAMES EXON

I would like to congratulate you on your hard work and good effort to enact a comprehensive budget package. Although I have some serious reservations with your mark, I believe it is crucial that the budget process move forward.

If I could be king for a day and single handedly enact my own budget, I would improve the defense and agriculture functions. Unfortunately, I do not have that power. The Chairman's budget is, in my opinion, the best that this Committee can produce (particularly in light of the political realities of this Committee and this budget cycle). I, however, reserve my right to offer amendments on the floor of the United States Senate to improve the Chairman's mark.

The Chairman's budget is a very good start. It is a significant step in the battle to produce a fair budget package of solid deficit reduction.

I am especially appreciative of the Chairman's efforts to improve the agriculture budget. Senators Conrad, Grassley, and I fought hard for this improvement. It is not the total solution that I had sought last week, but it is again, a step in the right direction.

The Chairman's efforts to keep the Senate Budget Committee on schedule are also much appreciated. Instead of missing our budget deadlines by months, we will only miss our deadline by a few days. After serving on this Committee for 8 years, I must say that is a pleasant experience to come so close to meeting the budget deadlines contained in the Budget Act and the Gramm-Rudman-Hollings Law.

Over the years, Mr. Chairman, you have consistently demonstrated a keen ability to build coalitions and seek compromise and gain consensus. I am confident that the package that this Committee will approve is a steady platform to build another winning coalition on the Senate floor.

I look forward to continue working with the Chairman to help move the Congress toward the serious and difficult work of putting the Nation's budget priorities in order.

Mr. Chairman, I believe that your mark is a "Sugar Ray" budget and will be able to make a big comeback.

J. James Exon.

ADDITIONAL VIEWS OF SENATOR FRANK R. LAUTENBERG

While the Nation's economic recovery has entered its fifth year, the string will soon run out if we do not continue to build on the steps we took last year to reduce the deficit. Nationally, there are signs of weakness in our economy and many of those can be traced in part to the misguided fiscal path that this Nation was placed on 6 years ago. The trade deficit remains high, manufacturing employment is suffering, and consumers are over-extended.

The Committee has reported out with its recommendation a budget plan that goes a long way toward setting the kinds of priorities the Nation needs to ensure a sound economic future. The budget provides for continued reductions of the budget deficit, by roughly equal contributions from defense spending restraint, domestic spending savings, and revenues dedicated to deficit reduction. Under the Committee's plan, the budget deficit would be reduced by $37 billion next year, and would be balanced by fiscal year 1991. The plan provides for more deficit reduction than proposed by the President. But, make no mistake. The Committee's priorities are different.

The budget recognizes pressing domestic needs that must be met in our effort to maintain America's competitiveness and to preserve our standard of living. The budget provides for increases in key areas. Such as education, science and environmental protection.

Our Nation will succeed in the world marketplace only if we invest in the skills of our people. That means increased commitment to education. We also need to maintain our leadership in technological innovation. That means increased commitment to science and research.

Yet, we cannot lose sight of the role of government, to take care of those in need. The budget we report recognizes the need of children and families.

It also provides for increases in spending for environmental protection. That is a matter of great concern to me. The Congress passed reauthorization of the Superfund Law, which increased our commitment to cleaning up toxic waste. The health of our citizens depends upon environmental protection. Yet, our environmental laws are only as effective as our commitment to enforce them. The budget recognizes that increased commitment.

I applaud the Chairman for his leadership. Unfortunately, this was a budget that was developed without the cooperation and participation of our colleagues from the other side of the aisle. For them, budgeting this year has been a spectator sport. Yet, if the Congress is to implement a budget through substantive legislation on spending and revenues, it will need the cooperation of the President and the members of his party.

No budget is perfect. This one is no exception. I have expressed my concerns throughout the Committee's deliberations. The Chairman had proposed significant cuts in programs that assist economic development in our urban areas. He had proposed a cut of 30 percent in the community development block grant program, and a 25 percent cut in the urban development action grant program. In response to the concerns expressed by myself and others on the Committee, the plan was revised to restore $150 million in CDBG funding and to reduce the UDAG cut to 10 percent.

Still, I believe the plan calls for a disproportionate contribution to deficit reduction from these programs. Our urban areas are still adjusting to the loss of general revenue sharing. The CDBG and the UDAG program play an important role in maintaining the economic vitality of our cities. For these reasons, I joined my colleague from North Dakota, Senator Conrad, in authoring an amendment reported by the Committee to provide an additional $350 million in fiscal year 1988 for urban assistance. The additional monies would be provided through a tax amnesty program that would be coupled with our increased efforts at tax enforcement and compliance.

As Chairman of the Appropriations Subcommittee on Transportation, I am particulary concerned about maintaining investment in our transportation system. Our roads, rails, and aviation system are the foundation on which economic growth is built. My State, in particular, depends upon an efficient mass transit system, a network of roads and interstate freight and passenger rail, ocean-going shipping, and a modern and safe aviation system.

The Nation's air traffic system is overburdened. Increased resources are needed to rebuild, maintain, and expand the capacity of the aviation system. Indeed, the Administration itself proposes an increase of $500 million in aviation improvements. Yet, the Administration would offset those increases by drastic cuts in mass transit and the unjustified sale of Amtrak. That is an option that is totally unacceptable. Yet, the Committee would impose a freeze on transportation funding, and then impose additional reductions below that. The result would be a transportation system that fails to meet our needs. Consequently, I will work to restore funding for transportation as the budget moves through the legislative process.

Lastly, while I was pleased that the Committee rejected the Administration's proposed cuts in veterans programs, there are still important needs that cannot be met within the constraints of the resolution that the Committee has reported. The health care needs of veterans are increasing as the veterans population ages. Veterans with AIDS are imposing additional demands on the veterans health care system, as are veterans with radiogenic cancers. These are demands that should be met, and I will be working to revise the Budget Resolution on the floor to do that.

Notwithstanding my reservations, one thing is clear. The Senate Budget Committe has made a start. We have put a plan on the table that makes real and permanent cuts in the deficit. It recognizes some of our Nation's priorities, to educate our children, to enhance our technological base, to take care of the needy, and to clean up the environment. And it takes us further down the road toward meeting the Nation's top economic priority: the reduction of budget deficits that have sapped too much of America's economic strength.

FRANK R. LAUTENBERG.

ADDITIONAL VIEWS OF SENATOR TERRY SANFORD

According to the Committee's analysis, the Department of Defense since 1980 has received more than one-half trillion dollars in real growth. While much has been done to improve our defense capabilities in the last 6 years, we have paid a high price for these improvements. There seems to be only one point on which practically all of the experts agree. We have paid too much.

By paying too much too soon, we have not been a real friend to the defense industry. Rather than providing reasonable, steady, and predictable increases in defense spending, we have instead provided quick and enormous funding increases, resulting in significant corporate inefficiencies and waste. We have encouraged mispricing by drowning the industry in cash. In sum, we have created many more problems than we have been able to solve and have unwittingly raised the industry's expectations far beyond our ability—or willingness—to pay.

Unfortunately, we have also damaged the credibility of the prodefense consensus which was painstakingly developed over a decade as our Nation tried to recover from a tragic war. The people who most often pay the price for a damaged national security consensus are our men and women in uniform. In the final analysis, they represent our true defense and we must protect their interests.

If we are to rebuild this consensus, we must begin to act on the recommendations of the numerous commissions that have argued for real reforms in the defense acquisitions process. Then Deputy Secretary of Defense Frank Carlucci argued for a "relentless implementation" of these reforms. As we have seen, the actual execution has been anything but thorough and relentless. Central to these recommendations has been an emphasis on competition and stability. Increased competition has been a natural outgrowth of increased funding. But this has not been the case in the area of stability.

Whether we call stability biennial budgets, milestone budgeting, or multi-year procurement, it is clear that, regardless of the level of the topline, what we build we must build well. In order to do so, we must encourage the Department of Defense to make hard choices and then we must address their priorities with reasonable and economic production rates.

Finally, we must recognize that a strong defense is a bipartisan concern. However, it is clear that future increases in defense will be dependent on two things. First, we must restore the trust which should exist between and among the Congress, the Department of Defense, and the defense industry. Next, we must be willing to pay for it. Those who are truly committed to providing for steady, thoughtful, and long-term improvements in defense cannot realistically expect them to be achieved any other way.

TERRY SANFORD.

ADDITIONAL VIEWS OF SENATOR KENT CONRAD

I support the plan approved by the Committee because of the importance of getting a budget before the Senate without further delay. I personally believe we must make greater reductions in the deficit than called for by Committee's resolution. To me, the general outlines of the package are plausible as a starting point, and I look forward to working with the Committee Chairman to strengthen the plan on the floor.

The need to make substantial headway this fiscal year to reduce the Federal budget deficit is absolutely urgent. Under the misguided economic policies of this administration—a peculiar combination of irresponsible fiscal policy and restrictive monetary policies—the deficit has risen to staggering levels, unprecedented in a period of economic recovery. (Chart 1.)

Over the past 6 years, we have doubled the national debt, and our trade deficit has increased sixfold. The consequences of these deficits—budget and trade—are increasingly obvious—and interrelated. I'm convinced that our hopes of achieving a more balanced set of economic policies—which would bolster our growth rate and the international competitiveness of our industries—depend on a credible plan for steadily reducing the Federal deficit. If matched by monetary policies directed to lowering interest rates and achieving more favorable exchange rates, the fiscal policy outlined by the Committee should strengthen and stabilize our economic performance.

We clearly need to reduce the deficit, but we face fundamental choices over how to do it. The administration has a budget plan which reflects its priorities: continuing an enormous military buildup and savaging a variety of domestic programs that it has never liked. Another alternative is sequestration: using the rules of the Gramm-Rudman-Hollings law, defense and domestic program outlays would each be cut by more than $30 billion in fiscal 1988. This would entail a 21-percent cutback in defense appropriations and a 25-percent cut in domestic programs which are not specifically exempted by the Gramm-Rudman-Hollings law.

To me, the unattractiveness of these alternatives demonstrates the need to develop a balanced approach to deficit reduction. A preferable approach, in my view, would include a much more aggressive effort to collect revenues owed to the Government. With the passage of landmark tax reform legislation that should make the system more equitable, it's the perfect time to strengthen compliance and assure that everyone pays their fair share.

I also believe we could achieve significant budget savings by requiring our allies in Japan and Western Europe to begin paying their "fair share" of their own defense costs. We are currently spending billions of dollars to provide the "defense umbrella" for them. That may have been reasonable after World War II. But today, when we are running budget and trade deficits on the order of $170 billion a year—much of that trade deficit with Japan and Western Europe—I believe it's time to tell them that the free ride is ending.

Above all, we should strive for an equitable sharing of the burden of reducing the deficit. The package reported favorably by the Budget Committee attempts to spread the sacrifice involved: there are significant reductions in both military spending and domestic spending. For FY 1988, the Committee's budget plan calls for the same amount of additional revenue as the administration's budget. But in most major areas, the Committee has repudiated the administration's budget priorities—and sought to avoid further blows to the people and regions that have already suffered heavily from the Reagan administration's policies.

In key areas, however, I believe the balance and equity of the plan reported by the Committee can be considerably improved. I am deeply troubled by the amount of savings expected from farm programs—particularly in FY 1988. The Committee has recommended that agriculture absorb a cut of $1.6 billion in FY 1988 and $8.8 billion over a 4-year period. I am particularly concerned that because much FY 1988 spending on farm programs is already committed—because the 1987 crop year is well underway—it will prove extremely difficult to find $1.6 billion of savings in the first year.

The Congressional Budget Office has confirmed that to avoid disrupting the 1987 crop, the entire savings of $1.6 billion would have to be drawn from advanced deficiency payments and diversion payments for feedgrains for the 1988 crop, which comprise about $6.8 billion of FY 1988 agriculture outlays. The size of the cut required from this relatively narrow pool—23 percent—is disproportionately large, and not consistent with the principles of shared sacrifice which I believe should guide the debate over the budget.

Accordingly, when the Budget Resolution reaches the Senate floor, I plan to offer an amendment to restore $600 million to agriculture programs in FY 1988 in order to limit the savings sought in the first year to $1 billion. I do not propose to alter the savings sought in the outyears of this Budget Resolution and, as a member of the Senate Agriculture Committee, will work to develop more effective farm programs that will make such savings possible.

I know many of my colleagues share my dismay at the sharp increases in farm program outlays since 1980. In truth, farmers would much prefer to earn their living from the market rather than from the Government. But that is not possible in the current farm economy.

Special circumstances exist in agriculture. The farm economy's decline into depression was unexpected and rapid. A few key facts illustrate the extent of the problems.

Farm Income: Average net farm income for medium-sized family farm operations fell from an average of $41,000 (in 1982 dollars) throughout the 1970s to an average of $12,668 during the 1980–85 period. This is barely above the poverty level for a family of four.

For the smaller farmers, the figures are even more startling. Net farm income has declined from an average of $22,150 (in 1982 dollars) during the 1970's to only $2,065 during 1980–85. Over the decade, then, the average income of the small farmer has dropped to about 21 percent of the poverty level, as shown in charts 2 and 3.

These steep reductions in farm income have brought depression-era conditions to rural America, devastating tens of thousands of farm families and the businesses which depend on them. The depression in agriculture has major consequences for urban-based industries, like farm machinery, as well. For example, sales of harvesting equipment are down 76 percent since 1979, driving many companies into bankruptcy.

Consumer Costs: In the last 7 years, the farm value of food—the portion the farmer actually receives—has declined from 4.6 percent of disposable personal income to 3.0 percent.

The farm share of the retail price of food has declined from 37 percent in 1980 to 30 percent in 1986.

Furthermore, consumer dollars spent on food (and going to the farmer) have declined from an average of $441 (in 1982 dollars) per capita in 1975 to an average of $411 per capita during the 1980's. This figure combines the farm share of the food dollar and the total cost of the farm programs. It should be apparent that farmers are receiving much less of the consumer dollar spent on food even when farm programs are included, as shown by chart 4.

Farm Prices and Exports: The sharp decline in family farm income is the direct consequences of misguided economic and farm policies which have led to the lowest farm prices (in constant dollars) in two decades.

Since 1980, wheat prices have fallen from $4.66 per bushel (in 1982 dollars) to $2.05 per bushel in 1986—a decline of 56 percent in 6 years.

Wheat prices have fallen so sharply because of the rising world stocks of wheat and because of high real interest rates. In 1980, when prices were higher, wheat stocks were sufficient for 64 days' use. Today, with prices driven down, wheat stocks will last for 108 days, as shown in charts 5 and 6.

While having 3 months' supply of wheat on hand may not seem unreasonable, the high cost of storing perishable commodities and high interest rates cause the market price to plummet. In effect, the U.S. farmer is bearing much of the cost of carrying a world food reserve through lower prices.

The effect of the lower prices has been to sharply reduce the value of U.S. food and feed grain exports—down 70 percent in constant dollars since 1981.

My amendment would also restore $350 million for community and regional development programs, which have also been disproportionately cut in the Committee's budget plan. For example, the community development block grant program has been singled out for a 25-percent cut—posing new strains for local areas already struggling to cope with significant losses of other Federal aid. Rural and urban areas alike have benefitted extensively from these programs, which facilitate the kinds of public investments crucial to future growth and economic development.

To cover the funding of these priorities, the amendment would raise an additional $1 billion of revenue. I would advocate obtaining this revenue through improved enforcement of our tax laws—by doing a much better job of collecting taxes that are now owed and due but not paid. I'm convinced that a vigorous and comprehensive enforcement program undertaken by the Federal Government could make a substantial contribution to reducing the deficit.

The Congressional Budget Office estimates that $1 billion could be raised from a tax amnesty program. That's one approach I would favor, as part of a thorough program to ensure that taxpayers—corporate and individuals—pay their fair share. My amendment would earmark the remaining $50 million to the Internal Revenue Service to support and publicize such an enforcement effort.

I recognize that the budget process does not bind the tax-writing committees as to how specific amounts of revenues will be raised. But I'm convinced, as a former tax administrator, that resources devoted to effective enforcement will yield substantial additional revenues and permanently raise the level of tax compliance. In my own State of North Dakota, the adoption of a fair share program generated $15 for every additional $1 invested in enforcement. Other States have experienced similar successes. And the IRS estimates that, on the average, each additional dollar spent on enforcement at the Federal level will produce $9 of additional revenue.

The plan reported by the Committee accommodates the administration's budget request for the IRS, which would increase examiners and collections personnel. But in view of substantial cutbacks in resources and personnel during the early years of the Reagan administration I believe there's a long way to go. Audit coverage has fallen drastically: between 1980 and 1986, the audit rate for individuals dropped from over 2 percent to 1.1 percent. Over the same period, the audit rate for corporations went from 6.5 percent to 2.2 percent. Meanwhile, steadily rising levels of unpaid taxes indicate a serious and growing problem with collections. Altogether, the Federal tax gap—representing the difference between what taxpayers owe and what they voluntarily pay—is believed to be in the neighborhood of $100 billion. (Chart 7.) In my view, it's an affront to honest taxpayers in this country if we don't do as much as possible at the Federal level to narrow this gap.

Inevitably, the process of formulating the budget involves considerable compromise. None of us will be enthusiastic about all major features of any comprehensive plan. Looking toward action by the full Senate, I would emphasize the need to preserve a credible and balanced approach to deficit reduction. I believe that the amendment I have outlined meets both tests—and will help reach the deficit goals envisioned by the Committee in a fairer and more effective way.

KENT CONRAD.

CHART 1

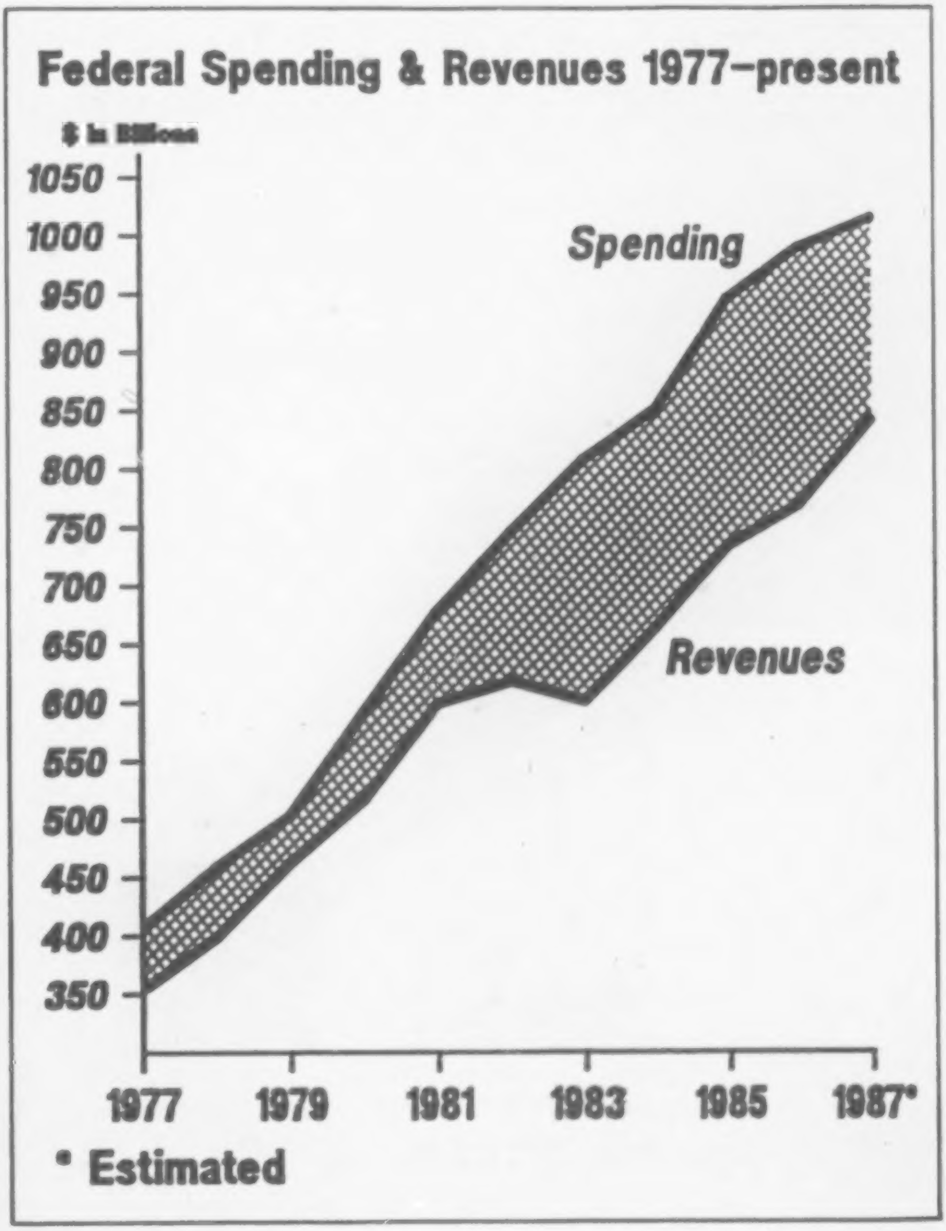
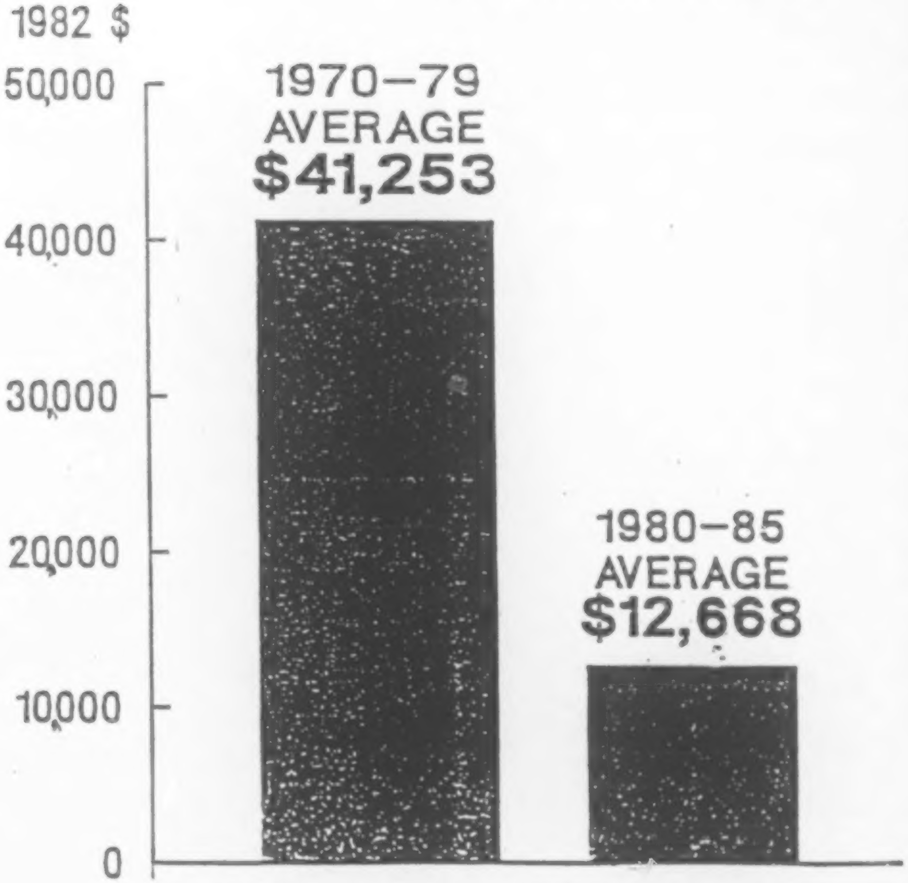

Federal Spending & Revenues 1977–present
$ in Billions
1050
1000
950
900
850
800
750
700
650
600
550
500
450
400
350
Spending
Revenues
1977
1979
1981
1983
1985
1987*
* Estimated

CHART 2

Net Farm Income Per Farm With Sales of $40,000 to $249,999 per Year

1970–79 vs. 1980–85



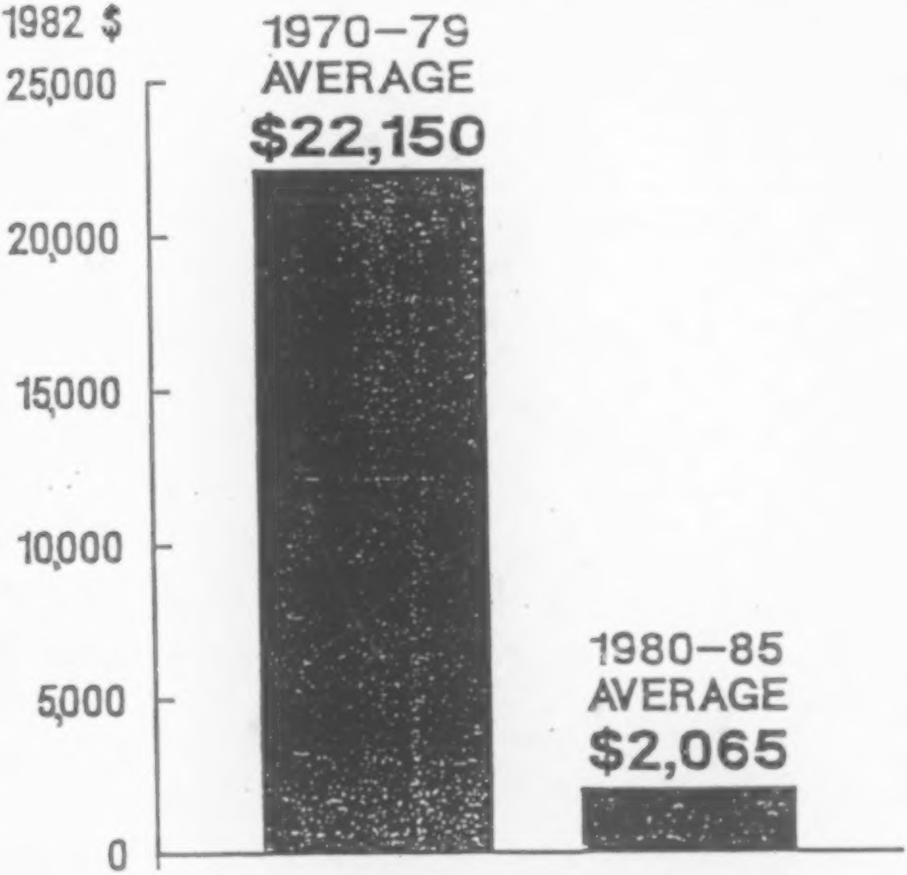
NOTE: In 1985, there were 544,000 farms in this sales category

SOURCES: U.S.D.A. and Economic Report of the President, 1987

CHART 3

Net Farm Income Per Farm With Sales of $20,000 to $99,999 per Year

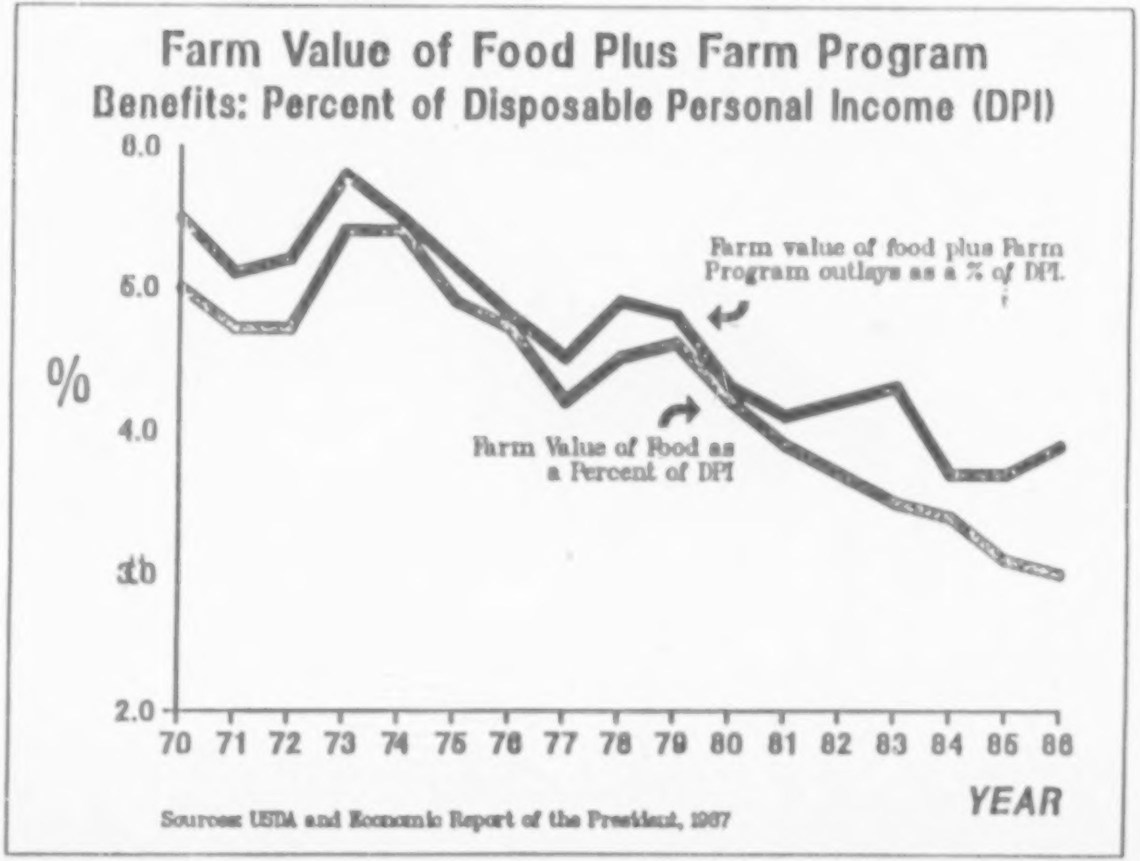
1970–79 vs. 1980–85



NOTE: In 1985, there were 553,000 farms in this sales category

SOURCES: U.S.D.A. and Economic Report of the President, 1987

CHART 4



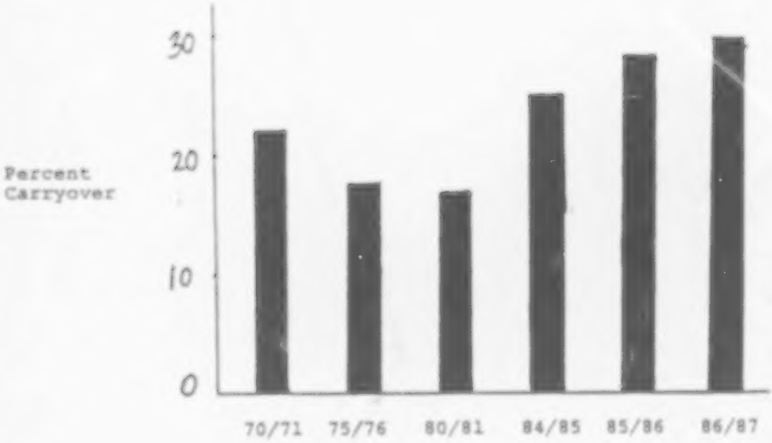
Farm Value of Food Plus Farm Program Benefits: Percent of Disposable Personal Income (DPI)

Sources: USDA and Economic Report of the President, 1987

CHART 5

SURPLUS WORLD WHEAT STOCKS

ENDING STOCKS AS A PERCENT OF WORLD USE



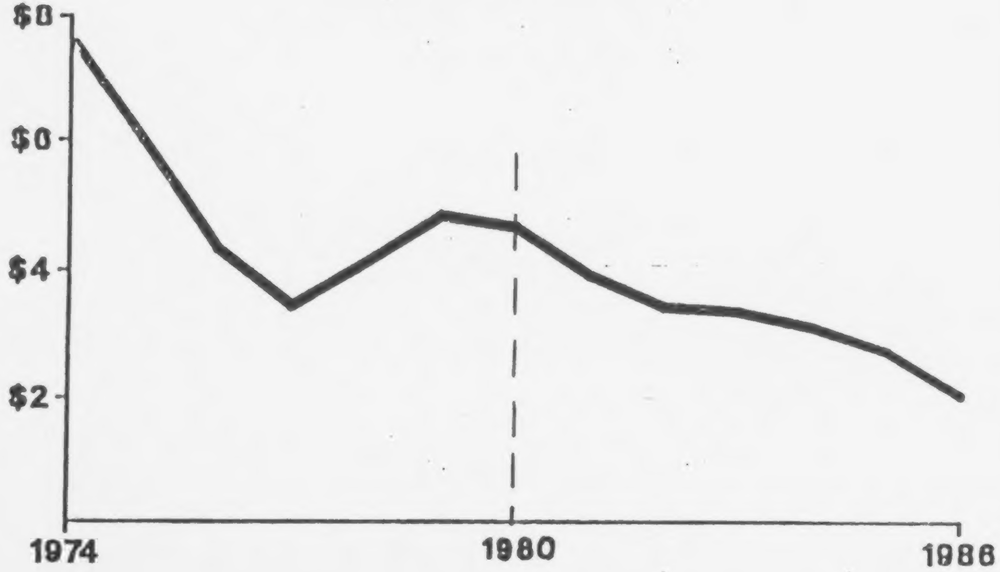
World Wheat Stocks Carryover:

	Percent of Consumption	World Consumption Days
1970/ 1971	% 22.0	80
1975/ 1976	18.0	66
1980/ 1981	17.5	64
1984/ 1985	25.5	93
1985/ 1986	28.1	103
1986/ 1987	29.6	108

SOURCE: Appendix to Statement by Robert Thompson, Asst. Secretary of Agriculture for Economics, "The 1987 Agricultural Outlook."

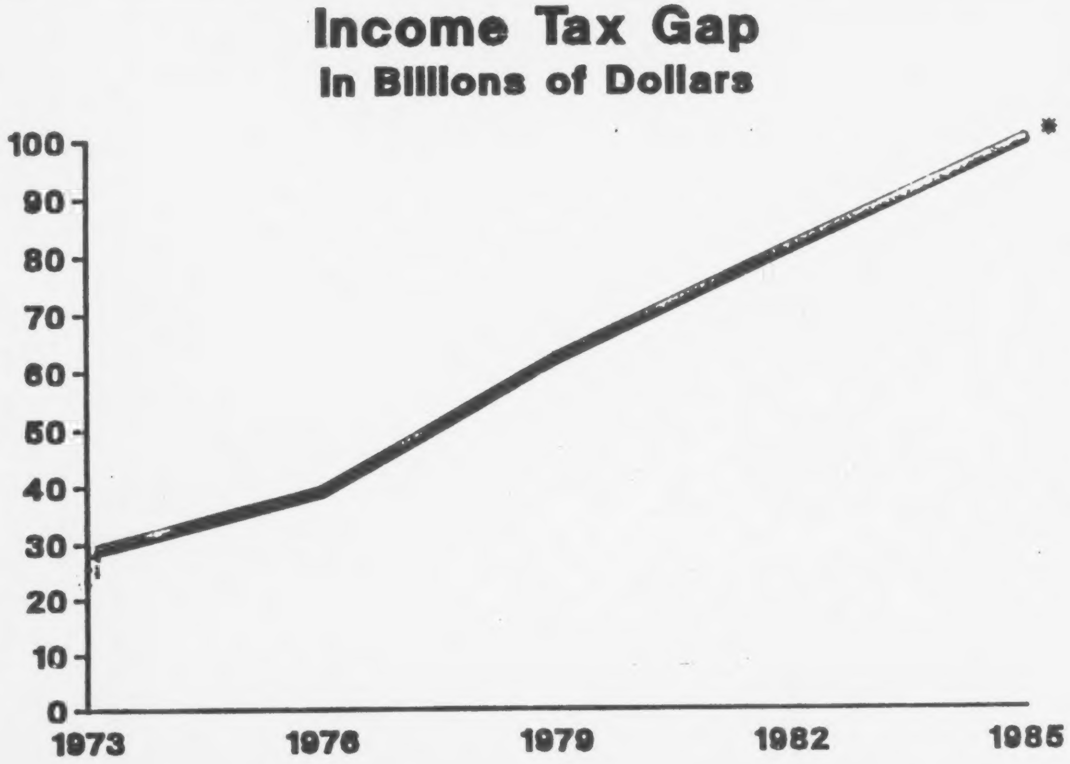
CHART 6

Wheat Prices
Average Annual Price Per Bushel
(1982 Dollars)



SOURCE: USDA

CHART 7



SOURCE: IRS, Income Tax Compliance Research

* Extrapolated

MINORITY VIEWS OF SENATORS PETE V. DOMENICI, WILLIAM L. ARMSTRONG, NANCY LANDON KASSEBAUM, RUDY BOSCHWITZ, STEVEN D. SYMMS, ROBERT W. KASTEN, JR., DAN QUAYLE, DON NICKLES, AND WARREN B. RUDMAN

OVERVIEW

The Senate Budget Committee, reflecting the lack of consensus within the Committee on fiscal policies, ordered reported four (4) FY 1988 budget resolutions and one (1) stand-alone amendment. Only once before, when Chairman Muskie reported two budget resolutions in 1979, has the Committee reported more than one budget.

Of these four budgets, only two, the proposal put forward by Senator Hollings and the so-called "sequester" budget, reach the FY 1988 deficit goal of $108 billion. Although the President's budget also reaches the Gramm-Rudman-Hollings goal of $108 billion using the President's own economic and technical assumptions, the Committee chose to report the President's budget as reestimated by CBO. It, therefore, falls $26 billion short.

Chairman Chiles' budget, the only budget reported with a favorable recommendation, misses the $108 billion mark on both counts. Using CBO economic and technical assumptions the Chairman's deficit is $133.6 billion. Using the OMB economic and technical assumptions, the Chairman's deficit would be approximately $111 billion—still short of the $108 billion goal.

In short, the Chiles budget represents a breech in both the spirit and the letter of the Gramm-Rudman-Hollings law passed by a substantial bi-partisan majority of Congress less than 18 months ago. More importantly, the Chiles budget depends on a combination of unrealistic cuts in defense and international programs in FY 1988 and unenforceable spending cuts in FY 1988 and beyond to achieve its deficit objectives.

These are neither priorities we can support nor are they policies enforced by budget procedures in which we can have any confidence. We believe that defense spending must be raised and domestic spending further reduced. We also believe that the enforcement procedures in the budget process must be enhanced, including a provision for a constitutional, equitable sequester process, to assure that commitments made in the context of budget negotiations are met. Raising revenues beyond the near $100 billion already proposed in the Chiles budget only increases the importance and urgency of adopting new enforcement reforms.

Table 1 summarizes the Chairman's mark and compares his budget proposal to the House-passed budget and to the President's budget request. As this table shows, the Chiles budget is strikingly similar to the House budget. Both budgets are very different from the President's request. This suggests that, unless significant changes are made in the final outcome, Congress and the President are heading for a major confrontation on the budget. In this environment, meaningful action to reduce the budget deficit is unlikely. (See Table 1, attached.)

The following are general observations and specific concerns about the Chairman's budget proposal. We have decided to join in these common views to underscore our mutual concerns. Several of us have, however, also reserved certain other reasons for our opposition to the Chairman's proposal for our individual minority views.

BUDGET RESTRAINT

Under the Chairman's proposal, total Federal spending would grow 4.2 percent in FY 1988, double the growth in spending in FY 1987. In comparison to FY 1987, almost all of the decline in the deficit is due to the unusually rapid growth in revenues—which would rise 10.2 percent in the Chairman's proposal. If revenue growth fell short, as it has in recent years, the Chiles budget plan, with its relatively rapid growth in spending, could easily result in no deficit reduction whatsoever. This is unacceptable.

BUDGET PRIORITIES

The Chairman's proposal derives over 61 percent of its total spending reductions from just two areas—defense and international affairs. The Chairman's budget would represent the third consecutive year in which defense budget authority would decline.

Under the Chairman's proposal defense budget authority would have to be cut at least $30 billion below the President's request and $14 billion below CBO's zero real growth baseline. Defense authorizations would decline by at least 4 percent in real terms next year and by over 7 percent ($280 billion in new budget authority) if the outlay constraints in the Chiles mark are adhered to.

Defense outlays would decline by nearly $15 billion in FY 1988 below the President's request and by about $7 billion below the CBO baseline. Over the next 4 years, the Chairman's proposal cuts the President's outlay estimates by over $132 billion, and by $84 billion compared to CBO.

This would be alarming enough if Congress had not already demonstrated a will to cut defense significantly below the amounts included in the Senate-passed budget resolutions. Over the past 5 years, Congress has appropriated $116 billion less for defense than the President has requested and $42 billion less than contained in the Senate-passed budget resolutions. The attached Table 2 compares the amounts actually appropriated for defense to the President's request and the Senate-passed budget resolutions.

Unfortunately, in the context of past Congressional action, the Chairman's proposed cuts in defense are real and are very likely to be accomplished, if not actually exceeded, in the appropriations process. Less sure, however, are the domestic savings.

The Chairman's budget continues a pattern begun last year of depending on fees, various forms of receipts, management savings, and the like, rather than real program reductions, for domestic spending restraint. The Chairman's budget provides for $14.7 billion in gross domestic spending reductions. Of this amount, $7.6 billion could be considered to be programmatic: $3.3 billion in medicare, $1.6 billion in agriculture, about $2.0 billion in Federal pay, and $0.7 billion in miscellaneous program cuts. Another almost $7.7 billion, however, is made up of fees, management savings, transfers and a simple freeze in discretionary programs, which entail no real program reductions. Only one program, the Export-Import Direct Loan Program, is terminated.

This means that, netting the $3.6 billion in new initiatives against the $7.6 billion in actual program reduction, the Chiles mark reduces real program levels by less than $4.0 billion. This is about one-half of 1 percent of the total $600 billion in domestic spending. See table 3 attached.

ENFORCEMENT

However, the area of greatest concern for all of us is the enforcement of the Chiles budget proposal. The Chiles budget includes a 4-year reconciliation instruction, directing committees to report spending cuts of $10.4 billion in FY 1988, and $73.5 billion over the next 4 years. *Only one-third of the proposed budget's gross spending cuts are actually reconciled.* Table 4 compares the reconciled savings to the gross budget cuts.

The proposal also assumes a 4-year unenforceable freeze in domestic discretionary programs, and nearly $30 billion in increases for various appropriated programs. These increases are in the areas of science, technology, space, discretionary health, and jobs programs. By FY 1991, spending for new initiatives offsets nearly half of the assumed reconciled savings in that year. It is highly unlikely that the Chairman's goal of a balanced budget in FY 1991 could ever be achieved with such limited enforcement.

REVENUES

The Chairman's budget calls for $98 billion in additional revenues above the CBO baseline for the FY 1988–91 period. This is $70.2 billion higher than the President's request. The President has proposed about $28 billion in new taxes over the next 4 years.

Some of us believe that taxes should be part of the budget package, others of us do not. What seems very inappropriate, however, is the fact that the Chairman's $98 billion in new taxes on the American people doesn't even pay for a maintenance level of defense. As we have indicated above, the Chairman's proposal represents a real reduction in our military commitment.

But, even the Chairman, who has made a strong case for permanent multi-year tax increases and against the "smoke" and "mirrors" of asset sales in the past, uses the refinancing of the Rural Electrification Administration (REA) loan portfolio to reduce the amount of revenue reconciled to the Finance Committee in FY 1988. The Chairman's proposal assigns $7.2 billion in receipts from the refinancing of REA loans in FY 1988 to revenues and, therefore, reduces the revenue reconciliation to the Finance Committee by a like amount.

However, the Finance Committee will be required to raise the full $23.5 billion in FY 1989 revenues. This very large "step" in the revenue reconciliation will likely lead the Finance Committee to raise more revenues than required in FY 1988 or enact a second set of tax increases for FY 1989. And, unlike spending cuts where only one-third are reconciled, fully 100 percent of the tax increases are reconciled.

MISCELLANEOUS PROVISIONS

The Chairman's proposal contains a number of miscellaneous provisions which have never before been included in a resolution reported by the Senate Budget Committee. These provisions set up various scoring procedures and reserve accounts.

The Chairman, in including these provisions, argued that they would improve the accountability of the process. Quite to the contrary, the provisions would further weaken the Budget Committee's role in setting broad national fiscal policies and jeopardize the normal working relationships with the authorizing and appropriations committees, a fragile relationship at best.

SUMMARY

In summary, the "non-consensus" budget recommended by the Committee requires significant modifications if it is to receive our support. It sets in place a familiar pattern of past Democratic budgets.

It seriously cuts defense and places the country's national security at risk. It terminates no domestic programs out of the thousands in our inventory—some of clearly questionable need in today's modern economy. It plants the seeds for major new programs that will certainly blossom into expensive future programs, requiring additional taxes beyond the $98 billion already included in this plan. It *assumes* deficit reduction with little real hope for enforcement.

It is, in short, an unacceptable fiscal blueprint for the economic future of this country.

Table 1

SUMMARY OF FISCAL YEAR 1988 DEFICIT REDUCTION

House-Passed Budget, Revised Chairman's Mark, and President's Request [1]

[In billions of dollars]

	House-passed budget	Revised Chairman's mark	Prsident's request
CBO BASELINE DEFICIT	170.70	170.70	170.70
Spending reductions:			
Defense	−8.75	−6.90	7.80
Non-defense:			
Program reductions	−8.45	−11.00	−26.20
Program increases	2.00	3.40	1.40
Subtotal, non-defense	−6.45	−7.60	−24.80
Interest savings	−1.15	−1.20	−1.20
Total spending reductions	−16.35	−15.70	−18.20
President's estimate assumptions	−14.30		
Subtotal spending reductions	−30.65	−15.70	−18.20
Revenue increases:			
President's tax proposals	−5.00		−5.00
Other revenue-.generating proposals (asset sales, user fees, etc)	−2.00	−2.80	−13.10
REA refinancing		−7.20	
New taxes	−14.85	−11.30	
Total revenue increses	−21.85	−21.30	−18.10
President's estimate assumptions	−10.60		
Subtotal, revenue inceases	−32.45	−21.30	−18.10
Total deficit reduction	−63.10	−37.10	+36.30
DEFICIT	107.60	133.60	134.40

[1] As re-estimated by CBO.

Note.—Details may not add to totals due to rounding.

Table 2

HISTORY OF CONGRESSIONAL ACTION ON THE DEFENSE BUDGET

[Budget authority—billions of dollars]

	1983	1984	1985	1986	1987	Total 1983–87
President's request	263,0	280.5	313.4	322.2	320.2	1,499.3
Budget Resolution:						
Senate passed	251.7	270.7	299.0	302.5	301.0	1,424.9
House passed	253.6	263.9	285.7	292.6	285.0	1,380.8
Conference agreement	253.6	268.6	292.9	302.5	292.2	1,409.8
Appropriations bill	245.8	265.2	292.9	289.1	289.6	1,382.6
Appropriated level change from:						
President's request	−17.2	−15.3	−20.5	−33.1	−30.6	−116.7
Budget Resolution:						
Senate passed	−5.9	−5.5	−6.1	−13.4	−11.4	−42.3
House passed	−7.8	1.3	7.2	−3.5	4.6	1.8
Conference agreement	−7.8	−3.4		−13.4	−2.6	−27.2

Table 3

DISTRIBUTION OF NONDEFENSE SPENDING CUTS BY CATEGORY

[In FY 1988, billions of dollars]

Discretionary spending:	
Freeze	−2.3
Program cuts	−1.7
Adds	+3.6
Net discretionary	−0.4
Asset sales	−0.8
Fees, receipts, premiums, workforce, management savings	−4.0
entitlements	−5.9
Total, nondefense spending cuts	−11.1

Table 4

COMPARISON OF RECONCILED CUTS TO GROSS SPENDING CUTS

[Outlays—billions of dollars]

	FY 1988	FY 1989	FY 1990	FY 1991	Total FY 1988–91
Gross spending cuts	21.9	40.4	63.8	88.2	214.3
Reconciled cuts	10.4	15.0	21.3	26.8	73.5
Percent	47.5	37.1	33.3	30.4	34.3

PETE V. DOMENICI.
WILLIAM L. ARMSTRONG.
NANCY LANDON KASSEBAUM.
RUDY BOSCHWITZ.
STEVEN D. SYMMS.
ROBERT W. KASTEN, Jr.
DAN QUAYLE.
DON NICKLES.
WARREN B. RUDMAN.

MINORITY VIEWS OF SENATOR PETE V. DOMENICI

For the first time in the recent history of the budget process, the Senate Budget Committee reported four separate budget resolutions and one amendment for floor consideration by the U.S. Senate.

The Chairman's recommendation was reported favorably. The remaining three resolutions, a budget plan sponsored by Senator Hollings, a "sequester" budget, and the President's FY 1988 budget request, were all reported without recommendation. Senator Conrad's amendment to raise taxes through increased taxpayer compliance to pay for certain spending changes was also reported without recommendation.

The process of reaching consensus on budget matters is always difficult, particularly in recent years with high deficits and budget policy issues genuinely partisan. But, for almost a decade now, no matter how difficult, the Committee has reported a single resolution to the Senate floor which reflected some majority within the Committee.

There are those who will say that it is not important to reach a consensus within Committee. I do not agree.

The process of establishing a majority within the Budget Committee is every bit as important to the work of the Congress on budget matters as it is in every other area of substantive legislation. By voting to report the budget views of several members, the Committee has substantially weakened its ability to reach a consensus in the future, and I believe, further weakened the process.

In one sense, this is just another indication of broader problems with the process as a whole. I, together with others, have introduced legislation to improve the overall enforcement of the Budget Resolution (once Congress has worked its will), and to enhance the President's authority to control spending through the rescission process.

Let me emphasize. These are not "just" process problems. They are political problems. As such they threaten the very survival of the budget process because it is, itself, essentially political.

Members require better assurance than now provided by the current procedures that tough votes—whether to raise taxes or to cut spending—will be reflected in final legislative actions of the Congress. This is particularly true for members, such as I, who wish to raise defense spending significantly above the Chairman's recommendation.

Equally important is the need to lock in budget savings for more than 1 year. Although the Chairman's plan aims at balance in FY 1991, there is no way, given the processes we currently have that we have any assurance this goal can be reached. To the contrary, the processes focus on restraint primarily in the budget year itself, and we have regularly missed our goals even then. It is certain that we will also miss our long term goals by even larger margins when we have no long-term enforcement mechanisms.

I have attempted, as clearly as I can, to indicate that I believe there exists the framework for a major compromise on the budget. It requires—

(1) that the level of defense spending be significantly raised;

(2) that this level of defense be provided for 2 years in accordance with Congress' previous request to the President that he provide the Congress a 2 year defense request;

(3) that an adequate level of funding for defense be paid for, at least in part, by some additional domestic spending restraint;

(4) that certain of the domestic appropriations bills be passed for 2 years so that the savings may be locked in;

(5) that the House be governed by the same rules in scoring budget actions as the Senate; and

(6) that the Executive Branch be given, even if only on a trial basis or at a future time, changes in the rescission processes which improve the ability of a President to control spending.

These are neither radical nor unworkable proposals. This simply requires a will to change certain prerogatives and procedures within the Congress to improve our ability to meet our fiscal commitment to the American people. A commitment, I might add, that we are now, at this moment, about to breech.

Make no mistake about it. This budget debate is not about taxes. The average American pays more today in income and payroll taxes than he did in FY 1980. Still, there is very little disagreement about the fact that new revenue is needed.

This budget debate is about spending. It is about defense spending versus domestic spending. And, it is about old spending versus new spending. The Chairman's plan does not provide an adequate level of defense spending—by his own admission. It is unbelievable that the U.S. Congress would seriously undermine and weaken the President's arms negotiation position this summer by proposing a build-down in our national defense preparedness. The Chairman's plan also does not propose to terminate even one domestic program. Yet, the Chairman's plan provides for several new initiatives, some of which I support.

No matter how we try to cast the issue, the Chairman's plan asks $18.5 billion in new taxes in FY 1988, and $98 billion over the 4 years through FY 1991. Whether or not we agree that this revenue will or will not come from the basic income tax structure, Americans will pay these higher taxes in some form.

The question in my mind is, just what they will be paying for? Two years ago, in attempting to put together my own budget proposal I asked whether, in good conscience, I could ask that average family making $30,000 a year pay for each and every program of government. In many cases the answer was no.

Today, I ask a similar question. Can we ask the average American to pay an additional $98 billion in taxes over the next 4 years and still not have enough revenue to provide an adequate level of defense? I think not. Domestic spending must be pared more.

My concern is that there is really not the will to establish the give and take necessary to achieve a really bipartisan compromise. There are those who genuinely believe that cutting defense is the answer to the budget dilemma. And, just as with other strongly held views in the past, it may be necessary to let the process play itself out.

I believe that the defense level in the Chairman's plan will be raised on the Senate floor. But, if current budget procedures and past history are any guide, the actual defense appropriation will come nowhere near the higher level. The higher budget authority for defense will be spent on domestic programs. And the Chairman's ambitious goals for long term spending restraint will suffer the same set backs as did my own.

Once again, those good members who will have fought the good and honorable budget fight will have lost. But so, too, will have the American people.

PETE V. DOMENICI.

MINORITY VIEWS OF SENATOR WILLIAM L. ARMSTRONG

Some things never seem to change. It's been 6 years since my colleagues on the other side of the aisle last controlled the Senate Budget Committee. Yet the Budget Resolution reported favorably by the Committee is almost a caricature of what Americans have long expected from the majority's fiscal policy: sharp reductions in national security, sizeable increases in Federal taxes, and billions more for domestic programs. Worse, the plan disregards the Gramm-Rudman-Hollings law, which says the FY 1988 deficit may not exceed $108 billion. The Committee misses by $26 billion. Some may think that's close enough for government work. I say it's a job not very well done.

First, the Committee plan shirks the most significant responsibility of the Federal Government: national security. The plan proposes major reductions in defense spending for the third consecutive year, cuts which would seriously undermine America's commitments throughout the world. If the outlay reductions proposed for defense are adhered to, budget authority would have to be reduced by $30 billion below the President's request and $14 billion below the level of inflation. The resulting budget authority level for FY 1988 would be $280 billion—$9 billion less than the resolution purports to provide and $15 billion less than appropriated 3 fiscal years ago (FY 1985). Related to this, major reductions are proposed in foreign assistance programs necessary to help preserve security and freedom in Latin America and elsewhere. In the past 2 years, defense and foreign aid have almost exclusively borne the burden of reducing the deficit. That's the easy way out politically. But it is also a policy so very dangerous to America's interests in the world.

Second, the Committee plan proposes $100 billion in new taxes over 4 years. Some will say that's not a lot of money in a $4 trillion economy. That may be true, but also irrelevant. The real issue is whether higher taxes are necessary and appropriate. They're not necessary because our economy will itself generate $66 billion in higher revenues next year and $300 billion by 1991, according to the Congressional Budget Office. They're not appropriate because it's plainly unfair to ask Americans to pay more in taxes until the Federal Government cleans its house of useless and wasteful programs. This budget makes no pretense to do that. It proposes outlays of one trillion, fifty three billion in FY 1988, with a net reduction of only $400 million in non-defense discretionary spending. Total domestic cuts in the plan—when user fees and entitlement savings are counted—equal about $11 billion, or 1 percent of Federal outlays for FY 1988. Not exactly a belt-tightening budget.

The last word on tax increases is this: there is simply no assurance—none—that 1 cent in higher taxes will help reduce the deficit. I don't believe for a moment this will ever occur. Why is that? In the first 3 months of this session, Congress voted itself a pay rise, overrode two Presidential vetos of budget-busting authorization bills, and has waiting in the bullpen several other domestic initiatives that will cost billions over the next decade. This budget alone proposes $30 billion for new domestic programs over the next 4 years. Pleas that higher taxes are needed to fund defense increases are patently duplicitous, and this budget proves that. Taxes will go for everything else but defense. Look for the President's "Make-My-Day" pistol to make an encore this year.

Finally, a word on the Committee's decision to snub Gramm-Rudman-Hollings. With child-like logic, the Committee says "if the President didn't hit $108, we don't have to either." As I read it, the law doesn't make the deficit target contingent on whether the Office of Management and Budget can count. Beyond this, much is said of the "impossibility" of reaching the GRH target. Translated, that means there's no political will to make the choices necessary to get there. That's not a matter of the possible, but of courage in governing. I understand the difficulty of reaching $108 billion. But the Committee didn't even try. And if in times of relative prosperity, the Senate Budge Committee cannot write a resolution which satisfies the law, what will it do should times grow tougher? If Congress starts $26 billion over the target, you can bet, come October, the gap will be at least double that, and rising.

So once again the Senate will consider a budget plan that purports to cut spending "in the out years" and balances the budget in the next decade. The resolution is unworthy of support.

WILLIAM L. ARMSTRONG.

MINORITY VIEWS OF SENATOR CHARLES GRASSLEY

My reluctance to support this budget is much less for its content than for its context. The Committee discussed extensively the notion of "truth in budgeting" during this mark-up, the need to avoid using "smoke and mirrors", and ways to preserve the integrity of the savings and other decisions contained in the resolution. Nonetheless, this resolution still allows "truth" quite a bit of fluidity. Nothing has changed dramatically in the way the Congress as an institution can first recognize and then achieve deficit reduction. We are still trying to convince ourselves that we are making progress on deficit reduction, when in point of fact we are still in park, with the engine only revving at higher and higher RPMs.

First, some points about the *content* of the package. Although the defense number represents, in my view, a fair funding level, and one which would encourage management reforms within the Defense Department, it does not represent an equal contribution to deficit reduction vis-a-vis agriculture and other domestic programs. For instance, as a share of its budget, defense contributes only 2.33 percent to deficit reduction, while agriculture contributes 5.33 percent.

The tax-increase portion of the resolution is fully one-half of the total deficit-reduction effort. I believe so large a tax increase is not in the best interest of the American people when we continue to spend beyond spheres of fiscal responsibility.

And finally, I fear that we are too comfortable with the higher deficit target of $134 billion for FY 1988. History will ensure that this decision will come back and haunt us. Private forecasters are already predicting, just halfway through the fiscal year, that the FY 1987 deficit will be closer to $200 billion, not the $170-billion range as predicted by CBO and assumed by the Committee. And as the end of the fiscal year approaches, I am sure the projections will become higher. And that, of course, would constitute another $50 billion error in our projections of just 1 year ago.

Here are some examples of recent private forecasts of the current-year deficit:

[In billions of dollars]

Forecaster	FY 1987—deficit estimate
Townsend-Greenspan	186.2
E.F. Hutton	185.0
Data Resources	188.2
University of Michigan	198.0
Prudential-Bache	200.0

If these estimates prove to be more accurate than those assumed by CBO and the Committee, then the deficit base will increase by some $20 to 30 billion, at a minimum. The significance of these fluid estimates, and indeed *rising* estimates, is better understood when recalling the evolution of the FY 1987 deficit projections from their incipience. The FY 1987 deficit started out, after this Committee reported out its resolution, at $144 billion. By the fall, it had become $154 billion. Then in February, it was $171 billion. And now it is being estimated at $200 billion, or close.

What I fear most about this resolution is that this deficit of $134 billion will become $144 billion by the fall, then $171 billion by next February, and then $200 billion by next April. That is what I mean by revving up our engine while in park, instead of making steady progress toward really getting a handle on what causes the deficit.

That brings me to the *contextual* point of my views. The context within which we report out this resolution has not changed. The Chairman made important strides toward minimizing some of the traditional "smoke and mirror" devices in our budgeting practices. The Ranking Member spoke eloquently throughout the Committee's deliberations on the need for process reforms. The Committee also adopted language offered by the Senator from Iowa to improve CBO's estimating techniques so that Congress can better estimate the impact of its decisions.

All these initiatives are a first step toward maintaining the integrity of the resolutions reported out by this and subsequent Budget Committees. But will this "first step" be enough for us to side-step a probable yet unanticipated string of deficits much larger than we can afford? I suspect the answer is no, which begs for much more to be done in a short period of time. I mention this in the context of a $308 billion debt extension requirement, on the one hand, needed through September of 1988, and on the other an apparent feeling of comfort we have with an FY 1988 deficit projection of $134 billion that in fact will be much greater, if history is a knowledgeable judge.

It is my hope that, before this year has concluded, much-needed reforms of both the process and of our estimating will take hold, and we can begin to get a beat on a moving deficit target in a bipartisan way.

CHARLES GRASSLEY.

MINORITY VIEWS OF SENATOR ROBERT W. KASTEN, JR.

There are several reasons why I could not support the Chairman's Budget Resolution chief among them being the radical reductions in the defense and foreign operations budget, the large percentage of unreconciled and, thus, unenforceable domestic spending cuts and the rejection of the Gramm-Rudman-Hollings FY 1988 deficit target of $108 billion.

However, my strongest objection to the Chairman's budget is the proposed $18.5 billion tax increase in FY 1988 and the whopping $98 billion tax increase over the next 4 years.

The idea that tax increases are needed to close the gap between spending and revenues fails to recognize the underlying cause of today's deficits and the resulting debt build-up. It is wrong to place the blame on President Reagan's 1981 tax rate cuts and defense build-up. The fact is that the deficit was primarily caused by the unexpected collapse in inflation and the rise in real interest rates during the Federal Reserve-induced recession of 1982. First, inflation came in below the amount budgeted in Congress' forecast, causing government to spend more in real terms than intended and to collect less in revenues than expected. Since the budget is prepared in nominal terms, deficits automatically result if inflation turns out to be lower than Congress expects. Second, overly restrictive monetary policy caused real interest rates to skyrocket which, in turn, caused the interest payment component of the budget to soar. The effects of unexpected disinflation and high interest rates on the budget deficit are cumulative and long-lasting.

Today's lower interest rates are starting to make a dent in the interest component of the budget. Annual real spending growth must continue to be held between 1 and 2 percent this year and next in order to adjust the budget for disinflation and bring outlays in line with revenues.

Federal spending as a percentage of gross national product (GNP) is about 4 percentage points above the post-World War II historical average. Tax collections are 19.0 percent—0.7 percent higher than the average from 1964–1979. Clearly, the overall tax burden on the American people is not too low—but rather the overall level of government spending is too high.

There are several economic reasons to oppose tax increases. Tax increases don't attack the true impact of Federal activity on the economy—that is, the overall level of government spending. Government spending is financed by taxation, by borrowing or by money creation. All three of these financing methods crowd out private activity in some fashion.

Taxation directly and powerfully reduces resources available to private individuals to purchase goods, to create investment goods and to save. Dr. Richard Vedder, distinguished professor of economics at Ohio University, points out that "borrowing or deficit expansion may crowd out private spending through the interest rate mechanism in financial markets, although the evidence of that is fairly flimsy" (for example, interest rates on 3-month T-bills have fallen from 14 percent in 1981 to about 5.7 today while the deficit as a percentage of GNP has risen from 2.6 percent in 1981 to 4.0 percent). Excessive money creation causes inflation which is another form of taxation.

Therefore, it is preferable to reduce Federal spending to reduce the deficit. Spending reduction releases resources that can be more efficiently used in the private sector by American workers, consumers, investors, farmers, and small businessemen, which, in turn, nourishes economic growth. Increased taxation crowds out private activity just as borrowing does. However, I believe that taxes damage private activity more directly, quickly and effectively than borrowing.

Some of my colleagues on the Budget Committee have argued that a $98 billion tax increase will not adversely affect a $4 trillion economy. The fact is that the dollar amount of revenue that a tax raises masks the real and multiplied negative impact that tax increases have on economic growth.

For example, CBO estimates that raising the marginal tax rates to 16 and 30 percent would raise $103.4 billion over 4 years. However, tax rate increases would reduce incentives to work, save and invest, which reduces productivity and economic growth. An empirical analysis by Robert Genetski, chief economist of Harris Bank in Chicago, found an inverse relationship between changes in tax rates and productivity growth.

Raising the capital gains tax from 28 percent to 50 percent would have a relatively small revenue impact—but a disasterous economic impact as investors refrain from realizing capital gains and the funds for risk-investment are dramatically reduced.

A $5 oil import fee would raise only $30.2 billion over 4 years. However, it would reduce real GNP growth, raise civil unemployment and increase inflation. A recent analysis by the Congressional Research Service points out that an oil import tax of $5 per barrel in 1987 would cause real GNP to be 3.4 percent lower in the period 1987–90 than it would be without such a tax. By 1990, the number of employed would be 1 million less. Inflation would be 0.5 percent higher in 1987, and would hold there for 1988 and 1989 as well.

Tax revenues appear to be coming in higher than expected in 1987. The Treasury Department's latest revenue figures show that revenues are rising at a stronger than expected pace. The major source of the additional revenue arrives from the tax-law base broadening changes that took place on Jan. 1. Treasury receipts came in at $9 billion to $11 billion higher than anticipated in the 2 weeks ending Feb. 27 (the latest figures available).

Economist Alan Reynolds of Polyconomics, Inc., points out that in 1988, tax reform is likely to produce an unplanned revenue windfall. This is because lower marginal tax rates on upper-income individuals will increase the amount of income earned and reported. Individual and payroll tax revenues should be $15 billion higher than expected, even assuming the economy grows no faster than CBO expects in 1988. Nearly all the Blue Chip forecasters expect profits to rise faster than GNP. CBO underestimates taxable profits. One award-winning forecaster, Peter L. Bernstein, estimates that pretax profits could easily rise by 0.5 percent of GNP in 1988, which could add another $8 billion to 1988 tax receipts. Lower tax rates on corporations and stockholders should increase dividend payouts, thus raising receipts another $9 billion.

None of these revenue windfalls depend on faster GNP growth, although higher economic growth this year and next is indeed possible. Recent economic data seems to indicate a pick-up in the rate of economic growth. Leading indicators were up a strong 0.7 percent, factory orders shot up 4.3 percent and industrial production rose 0.5 percent in February. In addition, the U.S. export sector is beginning to recover as the lower value of the dollar makes U.S. products more competitive abroad. The Big Chip forecasters expect a healthy growth rate of 2.1 percent this quarter, 2.8 percent for the second quarter, a fairly robust of 3.5 percent for the third quarter, and 3.4 percent for the fourth quarter.

I believe that the combination of higher economic growth in 1988 and spending restraint in all areas of the budget including defense, domestic and entitlements is the most constructive solution to the deficit. Major tax increases such as the $98 billion in the Chairman's budget plan or the $250 billion in Senator Hollings' budget plan must be avoided because they would impair the economy.

In addition, we must strengthen the budget process in order to insure that the Budget Resolution's spending ceilings are enforced. I strongly support Senator Domenici's budget reform package which includes a 2-year budget cycle, Senator Quayle's enhanced rescission proposal, and the restoration of the Gramm-Rudman-Hollings automatic sequester mechanism.

ROBERT W. KASTEN, Jr.

MINORITY VIEWS OF SENATOR DAN QUAYLE

GRAMM-RUDMAN-HOLLINGS

In a unique and unfortunate maneuver, the Senate Budget Committee reported a total of *four* Budget Resolutions, one of which was accompanied by a favorable recommendation, along with *two* sets of economic and technical assumptions—one binding and one for "illustrative" purposes. Regrettably, the Chairman's mark, which was the proposal favorably forwarded to the full Senate, is the only budget reported that does *not* meet the Gramm-Rudman-Hollings targets under either the binding economic and technical assumptions or under those intended for illustrative purposes. The other three budgets achieve the 1988 fiscal year deficit target of $108 billion under at least one of the two sets of assumptions.

Senator Hollings proposed a budget that meets the $108 billion target assuming the economic projections of the Congressional Budget Office (CBO). However, I could not support this proposal because of the amount of new taxes it included.

Also reported by the Committee was a sequester budget plan which, by definition, meets the $108 billion maximum deficit amount. This proposal, obviously, is objectionable to those who voted for Gramm-Rudman-Hollings, which was intended to force Congress to deal with the deficit in a fiscally responsible, prudent policy manner. I supported Gramm-Rudman-Hollings to add a needed dose of discipline to the budget process, not to mandate indiscriminate, across-the-board cuts along the path to a balanced budget in 1991.

Finally, the Committee reported the President's budget. While the administration plan meets the Gramm-Rudman-Hollings deficit target under the economic and technical assumptions of the Office of Management and Budget (OMB), the Chairman's mark, however, does not do so. Although, under its assumptions, the CBO estimates the Chairman's budget deficit to be $133.7 billion and the President's budget deficit to be $134.3 billion, the Chairman's budget does not contain a number of policy assumptions included in the President's budget that are integral to meeting the $108 billion target under OMB's economic and technical assumptions. Because the Chairman's mark does not meet the statuory deficit reduction target, I could not support the budget plan approved by the Committee.

DEFENSE

If the budget reported favorably by the Committee were finally adopted, this nation would face the third year in a row that Congress has held budget authority for our national security below the level it attained in 1985. That year budget authority for the defense function hit a peak of $295 billion; in 1986 and 1987 budget authority for defense was $287 billion and $284 billion respectively.

While the Committee Budget provides for $289 billion in budget authority for defense in fiscal year 1988, it nowhere acknowledges that severe mismatch of outlays to budget authority.

This problem is so acute that CBO stated in *The Economic and Budget Outlook: Fiscal Years 1988–1992* that "the Budget Committees must, therefore, consider not only the total level of defense resources but also its distribution."

Senator Nunn, Chairman of the Senate Armed Services Committee, in the Armed Services Committee's views and estimates letter to the Budget Committee, "strongly recommend(ed) that the first year outlay rate of any adjustments in the level of National Defense budget authority be set at 38–45%." To meet this ratio recommended by the Armed Services Committee, budget authority for defense under the Chairman's budget may actually be closer to $279 billion than $289 billion. A reduction of this magnitude is terribly irresponsible and threatening to our national security.

The level of funding for our national security is already dangerously low as our negotiators continue to try to reach an accord on verifiable mutual arms reductions. Defense numbers such as those contained in the favorably reported Budget Resolution would essentially impose unilateral reductions on the United States. Still more devastating is Congress' practice of appropriating less money for defense than is provided by the Budget Resolution. In each of the past 5 years, Congress has appropriated from $3 to $13 billion *less* than the amount called for in the final Congressional Budget Resolution.

In fact, according to the CBO, the deficit reductions that have been achieved for fiscal year 1987 from appropriations have come from defense over domestic spending in an 18 to 1 ratio. According to CBO's projections of savings to be realized through the 1987 appropriations over the 3-year period of fiscal 1987–1989, defense will account for deficit reduction of $20 billion and international affairs for an additional $5.8 billion, while non-defense spending will actually *increase* the deficit by $1.3 billion. This is hardly a balanced approach to deficit reduction.

Coupled with cuts in its funding imposed by Congress, the Department of Defense must also accommodate in its budget Congressional add-ons that were not part of the Department's request. These add-ons totaled $2.1 billion in FY 1985, $3.9 billion in FY 1986 and $2.7 billion in FY 1987. Thus far, the Department of Defense has received requests of $1.9 billion in add-ons for this year.

These add-ons are forced by Congress, which then charges the DoD with "mismanagement" and "wasteful spending."

The Committee Budget further skews the approach to deficit reduction Congress has pursued in the past. Over the 4-year period projected by this budget, defense is reduced $83.8 billion, taxes provide about $98 billion in deficit reduction and domestic cuts are only about $63 billion.

Compounding the problems presented by this out-of-balance budget is the fact that only about 40 percent of the proposed spending cuts are to be mandated through the reconciliation process. The revenue increases are reconciled, so the American people are assured of more taxes. Since Congress has not appropriated funding for defense at the level provided by the Budget Resolution in the past 5 years, the American people are virtually assured of cuts in funding for our national security again this year. But reductions in domestic spending are not ensured nor, given the track record of Congress, are then even likely. This budget cuts defense, raises taxes, misses the Gramm-Rudman-Hollings target—and in all likelihood does nothing to curb the growth in dometic spending.

TAXES

The budget the Committee favorably reported mandates about $98 billion in new taxes over 4 years. Yet, in requiring this tax hike, the budget ignores a fundamental fact: we have a deficit, not because the Federal Government is taking in too few revenue dollars, but because it is spending too many dollars.

Furthermore, while government receipts as a function of the Gross National Product (GNP) are now above their historical average, government spending has grown more dramatically. Over the past 20 years, revenues have averaged 18.6 percent and outlays 21.4 percent of GNP. But today, Federal revenues are 19.1 percent and government spending is over 23 percent of GNP.

Simply put, raising taxes is not the way to reduce the deficit. The economic strains placed on our economy from the budget deficit come from a reduction in investment spending equal to the amount of increased government spending. In short, deficits take money out of the economy. This is known in economic jargon as "crowding-out." Unfortunately, taxes crowd out investment spending as well. Therefore, to pursue a balanced budget in the short run through an increase in taxes—in the case of the Committee resolution, $98 billion worth in 4 years—is virtually pointless.

DAN QUAYLE.

MINORITY VIEWS OF SENATOR DON NICKLES

Congress views its budgets against a "baseline" spending level supplied by the Congressional Budget Office. The CBO baseline assumes inflation for the discretionary programs of the government. A proposed reduction to the baseline is called a cut, even though it increases spending over the previous year.

We have "cut" the budget for a number of years but have continued to allow spending to grow at a high rate. The resolution reported by the Budget Committee sets spending growth over 1987 at almost $43 billion, or 4 percent. Our convention of scoring the budget against spending projections prevents us from truly reducing the growth of Federal outlays and, in fact, insures that Federal spending will continue to grow.

In the future I believe it would be much wiser to measure our budget not against the so-called baseline but rather against the level of funding for the previous year. This gives a much clearer picture of the growth of Federal programs as well as the allocation of new revenues resulting from economic growth. For this type of comparison for the 1988 budget, I have attached a table showing the 1987 BA and outlay levels as compared to both the Administration's budget request and the Budget Resolution as reported by the Committee.

In short, I am advocating a change in the way we view Federal budget-making. I don't believe we have to assume that Federal spending must increase each year, and, in fact, I feel that by following this assumption in the past, we have perhaps created built-in spending escalations.

In looking at the Committee-reported resolution, several areas give me concern and deserve to be described. First, defense is set to grow by only 2½ percent, a level less than inflation.

Second, several categories of domestic spending are slated to increase substantially over the inflation rate. For instance, Function 500, Education and Training, and Function 550, Health, will grow at a rate almost three times inflation. Function 600, Income Security, will grow about twice the inflation rate, and Function 400, Transportation, will grow almost four times the inflation rate.

Surely at this time it does not make sense to radically increase government spending for programs which, although important, are being funded at the expense of our national security concerns. I believe we need a more balanced approach.

COMPARISON OF ADMINISTRATION AND COMMITTEE BUDGETS AGAINST 1987 SPENDING

[In billions of dollars]

Function		CBO estimate 1987	Administration FY 1988			Committee Reported Resolution 1988			CBO baseline 1988
			Total	Inc/DEC	Percent change	Total	Inc/DEC	Percent change	
Revenue:									
Growth from previous year		51.80	66.40			66.40			66.40
Additional in proposal			[1]5.00			18.50			
Total		834.10	905.40	71.30	8.55	919.00	84.90	10.18	900.50
050: National Defense	BA	284.30	311.80	27.50	9.67	289.00	4.70	1.65	302.70
	O	276.60	298.30	21.70	7.85	283.60	7.00	2.53	290.50
150: International Affairs	BA	15.30	19.50	4.20	27.45	15.80	0.50	3.27	17.50
	O	13.90	16.60	2.80	20.29	15.80	2.00	14.49	16.80
250: General Science, Space, and Technology	BA	12.20	11.50	−0.70	−5.74	11.50	−0.70	−5.74	10.60
	O	9.50	11.20	1.70	17.89	11.20	1.70	17.89	10.70
270: Energy	BA	5.20	2.50	−2.70	−51.92	4.80	−0.40	−7.69	5.40
	O	3.70	3.30	−0.40	−10.81	4.80	1.10	29.73	5.40
300: Natural Resources	BA	13.20	14.10	0.90	6.82	16.00	2.80	21.21	16.50
	O	13.80	14.10	0.30	2.17	15.10	1.30	9.42	15.50
350: Agriculture	BA	30.50	25.70	−4.80	−15.74	29.20	−1.30	−4.26	30.90
	O	30.20	24.90	−5.30	−17.55	28.40	−1.80	−5.96	30.00

370: Commerce and Housing Credit	BA	12.10	11.70	−0.40	−3.31	12.80	0.70	5.79	13.10
	0	8.70	4.30	−4.40	−50.57	7.50	−1.20	−13.79	8.30
400: Transportation	BA	26.80	24.90	−1.90	−7.09	29.10	2.30	8.58	29.70
	0	25.40	27.00	1.60	6.30	28.10	2.70	10.63	28.80
450: Community and Regional Development	BA	8.40	5.60	−2.80	−33.33	6.90	−1.50	−17.86	7.90
	0	7.30	5.20	−2.10	−28.77	6.70	−0.60	−8.22	6.80
500: Education, Training, Employment, and Social Services.	BA	33.00	29.10	−3.90	−11.82	35.10	2.10	6.36	34.30
	0	30.30	28.50	−1.80	−5.94	32.80	2.50	8.25	32.60
550: Health	BA	40.80	43.50	2.70	6.62	44.60	3.80	9.31	44.50
	0	40.30	40.80	0.50	1.24	44.00	3.70	9.18	44.10
570: Medicare	BA	83.50	93.90	10.40	12.46	93.30	9.80	11.74	93.40
	0	73.70	78.00	4.30	5.83	79.80	6.10	8.28	83.10
600: Income Security	BA	158.20	162.10	3.90	2.47	168.00	9.80	6.19	168.00
	0	124.20	127.20	3.00	2.42	129.90	5.70	4.59	131.42
650: Social Security	BA	226.90	257.30	30.40	13.40	256.80	29.90	13.18	256.80
	0	207.90	220.80	12.90	6.20	220.70	12.80	6.16	221.00
700: Veterans Benefits and Services	BA	26.90	27.60	0.70	2.60	27.90	1.00	3.72	27.90
	0	26.20	26.70	0.50	1.91	27.30	1.10	4.20	27.40
750: Administration of Justice	BA	8.40	9.00	0.60	7.14	9.60	1.20	14.29	9.40
	0	8.00	9.20	1.20	15.00	9.40	1.40	17.50	9.10

COMPARISON OF ADMINISTRATION AND COMMITTEE BUDGETS AGAINST 1987 SPENDING—Continued

[In billions of dollars]

Function		CBO estimate 1987	Administration FY 1988			Committee Reported Resolution 1988			CBO baseline 1988
			Total	Inc/DEC	Percent change	Total	Inc/DEC	Percent change	
800: General Government	BA	6.90	7.80	0.90	13.04	7.60	0.70	10.14	7.30
	O	6.60	7.70	1.10	16.67	7.10	0.50	7.58	6.90
850: General Purpose Fiscal Assistance	BA	1.60	1.50	−0.10	−6.25	1.60	0.00	0.00	1.90
	O	1.70	1.50	−0.20	−11.76	1.60	−0.10	−5.88	1.90
900: Net Interest	BA	133.60	139.00	5.40	4.04	139.20	5.60	4.19	140.40
	O	133.60	139.00	5.40	4.04	139.20	5.60	4.19	140.40
920: Allowances	BA	0.40	−1.30	−1.70	−425.00	−0.30	−0.70	−175.00	0.90
	O	0.40	−1.20	−1.60	−400.00	−0.30	−0.70	−175.00	0.90
950: Undistributed Offsetting Receipts	BA	−35.20	−43.50	−8.30	23.58	−40.10	−4.90	13.92	−40.40
	O	−35.20	−43.50	−8.30	23.58	−40.10	−4.90	13.92	−40.40
Total	BA	1,093.00	1,153.40	60.40	5.53	1,153.10	65.10	5.96	1,178.50
	O	1,109.80	1,039.70	29.90	2.96	1,052.60	42.80	4.24	1,071.10
Deficit		−175.70	−134.30	−41.40	23.56	−133.40	−42.30	−24.08	−170.60

---

[1] $13 billion of Pres. revenue scored as negative outlays in various functions.

DON NICKLES.

MINORITY VIEWS OF SENATOR WARREN B. RUDMAN

The Senate Budget Committee was unable to reach a consensus on or gain a majority of support for a single FY 1988 budget resolution. Consequently, the Committee reported four budget resolutions and one Committee amendment. However, one budget—the budget drafted by Chairman Chiles—was reported with a recommendation and served as the basis for discussion in Budget Committee markup sessions. It is therefore appropriate to focus discussion on the Chairman's proposal.

It first must be noted that this budget does not reach the mandated Gramm-Rudman-Hollings deficit target of $108 billion. It falls short of the specific deficit goal by $25.6 billion. Frankly, it is my view that neither the President nor Congress is willing to make the tough decisions necessary to reach the $108 billion target. Although I could draft a budget that I could support which would comply with the $108 billion target, the grim reality is that, other than myself, three or four Senators might vote for it. Efforts by other members to reach the target would meet a similar fate.

The difficulties we are having in meeting the $108 billion target trace back to the time when the Gramm-Rudman-Hollings targets were set. At that time, we relied on certain Congressional Budget Office (CBO) budgetary and economic assumptions which ultimately proved erroneous. In addition, our present difficulties are also directly attributable to the Supreme Court decision which struck down the automatic sequester last fall, the result would have been a FY 1987 deficit much closer to the statutory target, thereby making achievement of the FY 1988 target much easier. Faced with the world as it exists today, I am prepared to consider raising the targets, providing that we have an agreement on certain budget reforms including reinstatement of the automatic sequester in the Gramm-Rudman-Hollings Act, and an agreement on a reasonable and enforceable budget plan which achieves significant deficit reduction and provides adequately for our national needs.

The Chairman's budget is not a reasonable budget and does not provide for our national needs. Its most notable defect is its woefully inadequate defense targets. The Chairman's budget cuts the President's request for defense by $22.8 billion in budget authority and $14.7 billion in outlays. Even considered from the CBO zero growth baseline, the Chairman's budget is below the baseline by $13.7 billion in budget authority and $6.9 billion in outlays. Furthermore, it is possible that in order to reach the outlay figure, and additional $10 billion would need to be cut from budget authority.

Simply put, this budget does not meet our national security needs. Cuts of this magnitude would impact heavily on our readiness capabilities, would cause layoffs of civilian and military personnel, would impair our recruiting and retention ability, and would disrupt our defense research efforts. I might note by way of contrast that the Soviet Union has averaged approximately 4 to 5 percent real growth over the last several years in its military expenditures. This cut would send precisely the wrong message to our allies and adversaries and would also have a devastating effect on arms control negotiations.

In the area of domestic programs, this budget fails to make a serious effort to curtail expenditures. No domestic programs are terminated and few significant budget savings in the domestic area are achieved. The only terminated program is in Function 150, International Affairs. In my 6 years in the Senate, I have cast many difficult votes to terminate any number of domestic programs. These efforts have generally been unsuccessful, even when the Senate was controlled by Republicans. I fear that the likelihood of terminating any programs or achieving significant reductions in domestic programs is even more remote today. Furthermore, the President's ability to contribute to restraint in this area via vetos of excessive spending bills is quite limited—as we have witnessed.

The fact of the matter is that these circumstances dictate the necessity of considering tax increases. We must pay for the spending programs that this body insists on and for the defense requirements that this country needs. I for one am not prepared to sacrifice the defense of this nation to the vagaries of political jockeying. If we cannot reach a consensus on significant spending reductions, then we must raise taxes. I am not optimistic on the former and therefore am forced to turn to the latter.

I also believe that certain budget reforms are necessary and should be an integral part of any budget agreement. Reinstatement of the automatic sequester in a manner consistent with the finding of the Supreme Court in *Bowsher* v. *Synar* is essential. It is the threat of automatic cuts that forces all 535 Members of Congress to come to the negotiating table to hammer out a budget that maintains fiscal restraints. Such legislation was approved by the Senate last year.

In order to end the practice of raiding defense allocations to pay for cost overruns in domestic spending, we need separate defense and non-defense spending ceilings. Too often, we reach an agreement on a defense number during protracted budget deliberations, only to find that actual appropriations for defense are reduced because defense allocations have been shifted to non-defense discretionary spending.

We should also insist that the House of Representatives live by the same rules as does the Senate by repealing the so-called Fazio exemption. Under this exemption, the House is not bound by outlay ceilings, and is only bound by budget authority ceilings. This is a significant loophole in the budget law—it is outlays which represent actual spending. It is outlays which are determinative in calculating the deficit.

Finally, I would like to say a word about asset sales. The Chairman's budget attempts to provide special scorekeeping rules for asset sales by stating that asset sales should not be scored as revenues, receipts, or offsetting collections for the purposes of calculating projected deficits. As a matter of policy, asset sales may be desirable in certain cases. However, to consider asset sales because they appear to be a painless method of deficit reduction, asset sales are not acceptable. Asset sales are not the equivalent of tax increases or permanent changes in spending programs since they are one-time events and one-time deficit reduction mechanisms. They cannot be used to pay for long-term spending programs or to avoid the question of taxes. Nonetheless, asset sales do reduce the deficit and this fact should be recognized in budgetary score-keeping.

It is my hope that these concerns will be addresed in a bipartisan manner on the floor. I hope to see the defense problem addressed. I hope to see a compromise on the tax/domestic spending issue. I also hope that an agreement on necessary budget reforms will be reached.

WARREN B. RUDMAN.

○